FINANCIAL TIMES



Douglas Warner Making things happen at Morgan

Gloomy days Germany feels the pinch



Bangkok's traffic Hell gets a bit cooler

World Business Newspaper

FRIDAY JANUARY 26 1996

to raise Quebec voice in cabinet

Jean Chrétien, Canada's prime minister, has brought two well-known Quebeckers into his cabi-net in the first cabinet reshuffle since his Liberal government took office in 1993, His aim is to give the pro-Canada camp a stronger voice against seces-sionists in the French-speaking province. The prime minister has faced growing criticism over his national unity strategy since separatists nearly won an independence referendum last October. Page 6

Search begins for new Polish PM: Poland's ruling coalition leaders started the search for a new prime minister as leaders of the Democratic Left Alliance, the main party in the ruling coalition, were called to the presidential palace after the res-ignation of Jozef Oleksy. Page 3

Resistance looms to EU arms competition: Plans to open the tendering for European Union government desence contracts to full competition were floated by the European Commission. But resistance by member states with large arms industries means they are unlikely to become law in anything like their current form, despite increasing interest in defence co-operation. Page 2

Emu suggestion faces criticism:



French and German politicians reacted sharply against the suggestion by Valery Giscard d'Estaing, left, former president of France, that the criteria for European economic and monetary union be interpreted flexibly to ensure it could begin on time in 1999, Klaus Kinkel, German foreign min-

ister, said Emu should be completed on schedule and with a strict interpretation of the criteria and Hervé de Charette, France's foreign minister, stressed his continuing commitment to the Maastricht conditions. Page 3

EU auspends Vietnam's textiles quote: The European Union has suspended a textile quota agreement which would have allowed Vietnam substantially increased exports because Hanoi falled to grant the EU reciprocal access to its market.

Piedge by Finnish prime minister: Paavo Lipponen, Finland's Social Democratic prime minister, has promised his government will maintain fiscal discipline despite mounting criticism of its failure to tackle one of the Europe's highest unemployment rates. Page 3

Problem for German forecasters; The sharp downturn in the German economy has proved a problem to most of the country's forecasters, who did not predict it, then denied it was happening. and now say it may soon be over.

Rover notches up success outside Europe: A steep rise in exports outside Europe has resulted in BMW's Rover subsidiary in Britain producing more than 500,000 vehicles last year. P

Hyundai plans expansion: Hyundai Motor, South Korea's largest car company, plans to double production to 2.4m vehicles by 2000 and increase annual sales to \$26bn. Page 13

Race for top HK post: The race to become Hong Kong's first chief executive has taken a fresh turn with China's two most senior advisers in Hong Kong declaring themselves for different candidates.

Beer supply halted: Indonesian brewers have stopped supplying beer to Ball, the country's prime tourist destination, in protest against a new tax on beer levied by a company understood to be con-trolled by President Suharto's grandson. Page 12

Profits boost for Booing: Reduced income tax charges, caused by the recent 10-week strike by Boeing engineers, helped generate a 39 per cent surge in fourth-quarter net profits at the US aerospace group, Page 13

American trade dispute over books: Books and magazines are at the centre of a trade dispute between the US and Canada. Page 5

Japan may toughen derivatives reporting: Japan's finance ministry is considering tougher rules to force securities companies to improve reporting of their derivatives exposure. Page 4

EU poised to win China aircraft contract: China is poised to approve a project to build a 100seater passenger aircraft, with a European consortium favoured to win the contract, according to a UK trade minister. Page 5

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O THE FINANCIAL TIMES LIMITED 1996 No 32,892 Week No 4

Canadian PM acts | Appointment may signify lurch towards more economic intervention |

Ex-Lada chief handed Russian deputy PM job

Mr Vladimir Kadannikov, one of Russia's most prominent industrialists, was yesterday appointed first deputy prime minister in a move which could signify a further lurch towards more interventionist economic policies.
Formerly head of Avtoyaz, maker of the Lada car, Mr Kadan-

nikov will be in charge of the country's economic policy even though the vehicle manufacturer has not produced a new model of the Lada this decade. He has frequently called for

more state support for industry, higher tariffs to protect domestic

the liberal economic policies pursued by his predecessor, the reformist Mr Anatoly Chubais, who was sacked last week. Mr Kadannikov faced criticism

producers, and the curtailment of the strong rouble policy which Mr Kadannikov's instincts would appear to run counter to

while at Aytoyaz for being slow to respond to changed market conditions. Yesterday he said: Only the development of national industry and the strengthening of domestic producers, whether state or private, can solve the social problems Russia now faces.

His appointment follows recent statements from Mr Oleg Soskovets, the other first deputy prime minister, criticising recent attempts "to mimic the market economy practices of other countries without taking our specific characteristics into account".

The uncertainty surrounding the course of economic reform has led to fears in the country's nascent financial markets that the government will relax monetary policy, reigniting inflation. It has also complicated discussions with the International Monetary Fund over a three-year \$3hn loan. It now appears highly unlikely that the IMF mission, currently in Moscow, will be able

by the end of the month as had been expected. In spite of the apparent shift in emphasis in economic policy, President Borls Yeltsin warned that people should not draw "lightweight and hasty" conclusions about the significance of

to reach a preliminary decision

technical university, Mr Yeltsin reinforced his commitment to the political and economic reform

His rhetoric has veered sharply towards the hardline camp since Communists and ultra-nationalists topped the polls in last month's parliamentary elections. This has led to speculation that he will run in the presidential elections in June, although he is not due to announce his intentions for another three weeks. Mr Alexander Livshits, the

president's chief economic aide who was also a contender to replace Mr Chubais, said no "drastic" steps would be taken to change the course of reform, "Any such steps or statement would be fraught with a market crash no deputy prime minister would cope with," he said. Mr Yeltsin yesterday also

appointed Mr Alexander Kazakov as head of the state property committee, which overseas privatisation policy.

> Car tsar, Page 2 Poland's search, Page 10



Vladimir Kadannikov: frequently urged more state support for industry and higher tariffs to protect domestic producers

Congress drafts bill to avert another shutdown

By Patti Waldmeir in Washington and Lies Bransten in New York

The White House and the US Congress were struggling yester-day to agree another stop-gap spending bill to keep the federal government open beyond mid-

night tonight.
The administration was yesterday considering a draft bill from Congress which would extend funding for a month while broader budget negotiations con-tinue. But Mr Mike McCurry, the White House spokesman, cau-tioned that some language appended to the bill - believed to include measures to stop research on aborted foetuses -might not be acceptable to President Bill Clinton,

However, both sides made clear their intention to resolve any problems and avoid another shut-

down, which would prove very impopular with voters. Nervousness over the continu-ing budget battle and the possifactor pushing down US bond prices yesterday. In early after-noon trading, the benchmark 30year Treasury bond was off over a point at 110% to yield 6.101 per

Late on Wednesday the creditrating agency Moody's said it had placed \$387hn worth of Treasury debt on review for a possible downgrade, citing uncertainty about the Treasury's ability to continue making interest pay-

Meanwhile, the White House and Republican leaders contin-ued to debate how to find a definttive end to their budget standoff, perhaps by agreeing a limited agenda of spending cuts and tax credits.

Republicans have offered to set aside their broader differences with the White House, including the year-long conflict over reforming publicly funded health-care and welfare, until after the November presidential elections. This would mean the Republi cans backing down on their demands for radical budget savings, and agreeing to a more limited \$160bn in savings, in what Mr Newt Gingrich, the

Continued on Page 12

US threatens Japan over music industry rights

By Michiyo Nakamoto In Tokyo

The US has threatened to take its first action against Japan in the World Trade Organisation over a dispute concerning intellectual property rights in the music recording industry.
Mr Mickey Kantor, US trade

representative, said he was unhappy with Japanese interpretation of regulations concerning the protection of recordings. Japan extends agreed retroactive rights to 1971, while the US insists that Tokyo should uphold protection back to 1946.

Mr Kantor said Japan's failure to change its rules "would appear

Row over protection of recordings may spark action against Tokyo in World Trade Organisation

to give the US no recourse other than to pursue its rights under the WTO". He also said Japan The intellectual propert would remain on the US government's priority watch list of countries with allegedly inadequate protection against intellec tual property violations.

The dispute centres on the intellectual property rights of recording companies and musicians on recordings made in the distant pest and involves potentially huge sums in royalties for

The intellectual property rights of music composers and lyric writers are protected for 50 years after their death. But the rights of recording companies and musi-

cians - known as neighbouring rights - were only agreed by Trade Related Aspects of Intellectual Property Rights (Trips) agreement. Under this agreement, which came into effect on

companies and musicians in the January 1 this year, signatories are obliged to protect those rights retroactively. However, it is not clear how far such retroactive protection must extend, according to an official at

Japan's agency for cultural affairs. Under Japanese law, neighbouring rights are retroactive only to 1971, when Japan's intellectual property law was revised. In contrast, in the US and many European countries, retroactive protection lasts until 1946,

50 years from when the Trips agreement came into effect. The US claims Japan has a similar obligation The Japanese authori-ties, however, claim their decision to take neighbouring rights back only to 1971 was cleared by the World Intellectual Property Organisation and other Trips sig-natories, including the US.

While large Japanese recording companies have licensing agreements with the owners of neighbouring rights, there is no law to prevent a growing number of companies which do not pay licspaing fees from selling CD and tape copies of popular 1960s' western rock and roll music.

Record number of sell-offs may raise \$55bn this year

By Antonia Sharpe in London

The privatisation of state-owned companies by west European governments could raise a record \$55bn this year, more than double last year's total of \$24bn, according to a study by J. P. Morgan, the US investment bank. The blggest sell-off this year is

set to be Deutsche Telekom, Germany's telecommunications company, which could raise about \$10bn. Italy could raise up to \$6bn from the sale of shares in Stet, its telecoms company.

Mr Gary Dugan, J. P. Morgan's
European equity strategist and

the author of the study, estimates that Europe's "ambitious" privatisation programme will account for about 65-70 per cent of offer-ings worldwide this year. In fact privatisations by Italy, Germany and France are expec-

ted to dominate offerings by governments from now until the end The UK, a trail blazer in the privatisation of state assets, will have little left to sell after this year's disposals of Railtrack, owner of British Rail track and

nuclear generating plant. The study says privatisations were concentrated in a smaller number of sectors last year than in 1994. There were no sell-offs in the insurance, pharmaceuticals

Arts Guide

signalling, and British Energy,

which will run Britain's modern

Total European privatisation offerings

or car manufacturing sectors. However, the telecoms sector saw several issues for the fifth consecutive year. This sector alone accounted for about 25 per cent of the total raised in European privatisations last year. Telecom offerings are set to

dominate the European privatisation programme this year, a trend which the study views with some concern.

"In our opinion, the sector split of privatisations does not fit with the type of stocks investors may wish to have in their portfolios in 1996," says the study. The continued dominance of

CONTENTS

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in the wake of a muted response from international investors to offerings last year from Spain's Telefónica and Indonesia's PT Telkom. However, analysts believe fears of a buyer's "strike"

this year are overdone. "The political situation in Italy means that Stet might not hanpen which would make Deutsche Telekom much more digestible," said one analyst. But bankers say governments

may have to reduce their expectations of the amount they can raise after experiences in Indonesia and France last year where investors refused to pay over the odds for state-owned assets. The lesson which emerged in

1995 was that if an offering is priced and allocated correctly, and if incentives for retall inves tors are included, then it can succeed," said Mr James Leigh-Pemberton, head of European equity capital markets at CS

The J. P. Morgan study says there was a considerable slow down in privatisations in other regions last year. Latin American privatisations came to a halt after the Mexican peso crisis, but they should pick up this year with offerings from Brazil and Peru in the pipeline.

Demand for Repsol exceeds offer, int. Band Service . lanagad Funds 30.31 # Quarterly Review of Share information

聞 CINVen

Buyout house of the year

"CINVen has proved beyond doubt that It is the most powerful and prolific financial buyer in the uk."

Jamary 1996 Aggminiflores Monthly

CINYen / INDEPENDENT / VISION

More power to your elbow

Citiven (Jid is regulated by 1969O in the conduct of process

Sunny forecasts fail to dispel gloom

By Wolfgang Münchau in Frankfurt, and Judy Dempsey and Michael Lindernann in Bonn

The sharp downturn in the German economy has proved a problem to most of the country's forecasters - they did not predict it, then they denied it was happening, and now they are saying it may soon be over.

But while they have been consistently optimistic, companies and consumers have been consistently pessimistic. Their current mood suggests that the economic picture is bound to get worse, as sector after sector reports deteriorating

Profit growth, where it exists at all, originates mostly from a squeeze on suppliers and from staff cuts, the companies say. and this in turn adds to spend-

ing restraint The level of car purchases generally considered to be one of the best indicators of the state of the German soul - suddealy dropped off in the middle of last year, according to the VDA motor industry association. "The prospect for 1996 does not give cause for optimism," it says.

Car dealers all over the country are feeling the pinch. Mr Rainer Gutmann, a consultant at Autohaus Müller, a Volkswagen dealership in Frankfurt, said he had noticed in particular a fall in sales to private customers, while those to busi-

ness were holding up.
"In many ways, the situation now is worse that in the last recession," he said. "Unlike then, people have more money; there is a lot of inherited money swirling around. But people are afraid of losing their jobs, so they keep driving their old cars a little while longer. The only encouraging thing is that people don't try to save money on safety equipment."

By Emma Tucker in Brussels

and Bernard Gray in London

defence co-operation.

By Caroline Southey

tionalist party.

the 38-nation body.

CERNIANY:

His face flushed, his finger

wagging menacingly, Mr Vladi-

mir Zhirinovsky shook the

Council of Europe chamber

yesterday as he threatened:

vote against us today and you

will drive millions of Russians

into the arms of my ultra-na-

today I will be grateful to you.

It will be a gift to my party for

the next presidential elections.

Every time I tell Russians how

much western Europe hates

them they vote for me," he told

European parliamentarians at

They did not. The delegates

decided by the unexpectedly

wide margin of 164 to 35 to

allow Russia in as the 39th

member of the council, which

seeks to promote human rights

and democracy in Europe. But

they attached more conditions

"If you vote against Russia

Plans to open the tendering for

government defence contracts to full

competition were floated yesterday by

tance by member states with large arms

become law in anything like their cur-

rent form, despite increasing interest in

Brussels believes that extending pub-

lic procurement rules to the defence

sector to ensure that all companies

have a chance to tender could reduce

costs dramatically and improve the

competitiveness of Europe's defence

At the moment defence contracts are

the European Commission. But resis-

Construction industry expects lowest investment in 30 years

Pessimism about German economic growth prospects increased yesterday when the construction industry said it expected investment this year to be the lowest for 30 years and unemployment in the industry to rise by almost half to 300,000,

writes Judy Dempsey.

The forecasts coincided with a report by the industry association (BDI) showing insolvencies for the first 10 months of last year at 18,000, 17 per cent ahead of the level in the same period in 1994. The number of employees in the manufacturing and mining sectors fell by 3 per cent over the same period.

The reports are likely to increase pressure on the government to produce a convincing programme for stimulating the economy and creating jobs when it unveils a special package of measures. including tax proposals, next Tuesday along with its economic

Mr Christian Roth, president of the construction industry association, predicted yesterday that the number of insolvencies in the sector this year would rise to 6,000 from last year's record 5,500, leading to a further 90,000 jobs losses. It would also depress prospects of any pick-up in investment.

Public sector construction investment is expected to fall 5 per

cent in west Germany in real terms to the lowest volume for three decades. A 3 per cent drop is forecast in the east, largely because local authorities are under pressure to reduce costs by cutting public expenditure.

He said many Germans, once punctilious about paying on time, were frequently resorting to delays, putting small suppli-

Similar pessimism prevails in the rest of the retail sector. apart from aggressive discount department stores.

Mr George Hardy, who owns three interior design shops in one of Berlin's fashionable districts, shrugs his shoulders when he thinks about the future. "I've seen times when people hold back for a few weeks in terms of ordering or buying furniture. But over the past year I have seen a seachange. People are simply not

Mr Hardy expects no improvement in the coming months: "The taxes are too high. Consumer spending is

specifically exempted from single mar-

ket rules which force governments to

hold open competitions under Article

223 of the Treaty of Rome. France, in

particular, has pursued a policy of

national autarchy in defence procure-

cies lead to the fragmentation of the

European defence market, generate

unnecessary costs and reduce the com-

relations commissioner, said yesterday: "The state of health of the defence

industry is such that...unless action

is taken soon whole branches of the

industry could disappear in Europe."

to Russian membership than to

The vote will be welcomed in

Moscow where it was seen as a

measure of the west's support

for President Boris Yeltsin,

even though the delegation

arguing the case included some

of his bitterest rivals - Mr

Gennady Zyuganov, the Com-

munist leader whose party dominated December's parlia-

mentary elections, and Mr

Zhirinovsky, whose party is a

significant force in parliament.

debate - in which the other

Russian delegates were rather

more low-key than Mr Zhirin-

ovsky - a large majority of

speakers urged the 249 delegates from the 38 national par-

llaments to set aside their mis-

givings about the vicious war

in Chechnya, human rights

abuses and the absence of the

rule of law and to say Yes to

But interventions from the

the Russian Federation.

During yesterday's all-day

any previous accession.

Mr Hans Van den Broek, the external

petitiveness of European companies.

According to Mr Martin Bangemann.

ment for more than 30 years.

flat. I see no signs of a let-up." Mr Steffen Kern from Germany's association of retailers (HDE), said: "The problem is that the growing fear of unemployment will damp down any expectations of an improvement in the retail sector over the coming months."

HDE expects zero growth in the retail sector this year and that follows three years of negative growth. Economists believe consumer spending will not grow by more than 2 per cent this year. This bodes ill for the industry which accounts for about 27 per cent of total gross domestic product and employs 3.2m people.

The energy sector is just as dependent on a rise in consumer spending. Mr Matthias Köppel from RWE, Germany's largest utility, reckons that

Brussels backs defence competition

Council of Europe votes Russia in

Chechen separatists.

floor reflected deep concerns

felt by the delegates who just a

year ago voted to suspend Rus-

sia's membership application

in protest against the Krem-

lin's brutal suppression of the

unsophisticated bullying might

have been easy to dismiss, the

issues he raised touched raw

nerves, particularly over Che-

chnya and the dangers of a

Russian Federation isolated

The majority appeared to

antidote to further destabilisa-

tion, but a significant minority

argued that acceptance of its

fledgling democracy was pre-

Swiss MP responsible for the

report recommending acces-

sion, warned that keeping Rus-

sia out would make it more

frustrated and "more aggres-

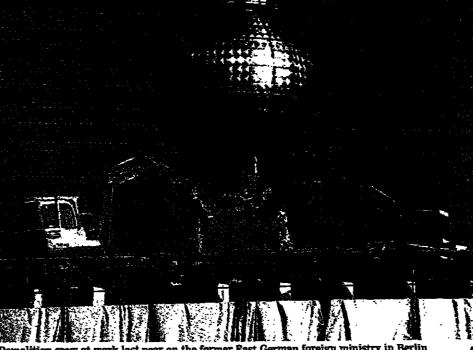
sive". The council had a

Mr Ernst Muehlemann, the

from the rest of Europe.

mature.

While Mr Zhirinovsky's



overall energy consumption DM10bn (£4.5bn) to spend, point out that whatever

will grow by only 0.5-1 per cent. "We are not that optimistic," he said, despite the bitterly cold weather in recent

The sector had been hoping that the abolition of the Kohlepfennig, a surcharge on nestic electricity consumers to subsidise the coal industry. would boost energy consumption. "We do not see any signs of that," said Mr Köppel. "The tax burden and the fear of unemployment means that people are holding back."

The other reason they are

holding back is that real incomes fell in 1994 and 1995, as higher taxes and social security contributions outstripped pay rises. This year, the government cut some taxes, giving Germans at least an extra

national budgets as much as Eculibn

(£9bn) a year. It also argues that this

rationalisation should go hand in hand

with development of a common EU for-

ally protected their defence industries,

the end of the Cold War has increased

pressure for consolidation across

national boundaries. This week Mr

Charles Millon, the French defence min-

ister, repeated a call for the creation of

a European defence industry. France

and Germany recently formed a com-

mon procurement agency, which

Brussels claims that rationalisation of to agree to a fully open market in the industry - receives from ministers.

However, these countries are unlikely

responsibility to restore stabil-

ity in the Caucusus so that the

region did not become "a sec-ond Balkans".

Seeking to reassure waver-

ing delegates that Russia could

be brought to book if it failed

to apply the council's rules. Mr

David Atkinson from the UK

to fulfil its obligations", the assembly had a number of

sanctions, including suspen-

Mr Evgen Marmazov from

the Ukraine, breaking ranks with Russia's other close

neighbours, argued that delegates should welcome Russia.

despite the absence of the rule

of law. "We have accepted a

series of countries which did not comply with the host of

standards set down by the

assembly. A similar approach

Others were more cautious.

should be applied to Russia."

Mr Jaromír Kalus from the

Czech Republic reminded the

sion of membership.

ggested that if Russia "failed

While many countries have tradition-

eign and security policy.

Britain would like to join.

defence procurement could save near future. Britain's defence ministry-

according to conservative estimates, but few see this feeding through into significantly higher consumption.

The chief executive of a medium-sized electronics company was blunt about the prospects for higher consumer spending. "It's all windowdressing. There may be less taxes to pay but other costs health insurance, national insurance contributions, the fees for public services - have all gone up. There can't be any higher consumer spending."

Other industrialists point out that German industry is working below full capacity anyway, so there is little incentive, and not much money, to make further capital investments.

The bigger companies may be slightly more optimistic but

said yesterday it supported an open

market, but that Article 223 was still

The Commission's plans were put for-

ward in a discussion document, to be

presented to the Council of Ministers

and the European Parliament, on the need to develop a common European

defence industry. "A common foreign

and security policy loses its significance

if Europe does not have its own arms

It is too early to say whether the

Commission will come forward with

definite proposals for developing a common European defence policy. Much

depends on the reception that the docu-

ment - the result of discussions with

assembly that he was of the generation which "woke up to

find Russian tanks on the

street. A quarter of a century

later. Russian tanks have

A delegate from Estonia

warned against voting for Rus-

sia's accession on the basis of a

"surreal mixture of wishful

thinking and fears". Russia

was not a state based on the

rule of law and the council

should accept only a "modern

state ready to fulfil its obliga-

In a similar vein Mr Dumeni

Columberg, a Swiss MP,

warned that it had been a

'dreadful illusion that an enor-

mous empire such as Russia

could be reformed in only five

vears and that democracy

would succeed so easily. It was

a further illusion that the

weak monitoring of the Coun-

cil of Europe could ensure that

Russia honoured its commit-

tions".

invaded their own territory."

competence," said Mr Bangemann.

needed for national security reasons.

growth rates there may be will he insufficient.

Mr Gerhard Cromme, who heads the Krupp Hoesch steel and engineering group, said "investments in plant will rise by perhaps 3 or 4 per cent this year, but what we really need is 6 or 8 per cent." He and others say there was a "psychological collapse" last autumn when German companies first felt the impact of the stronger D-Mark on their order books.

The debate about Germany's competitiveness, its high labour costs and tough regulatory environment, has added to the prevailing uncertainty. Some companies have moved production abroad, especially to countries like Poland or the **EUROPEAN NEWS DIGEST**

Rome pressure on Alitalia

The Italian government has embarked on a finely balanced game of threat and bluff to persuade recalcitrant Alitalia pilots to accept a restructuring plan to relaunch the national

Mr Giovanni Caravale, the transport minister, yesterday warned the pilots that if they failed to reach an agreement, especially on a truce on industrial unrest, the government would be obliged to step in with a much tougher shake-up of Alitalia. "This would mean the European Commission imposing extremely strict conditions regarding the growth prospects and development that would penalise the company.

However, the minister also showed some optimism that a deal might be reached following the breakdown a week ago of talks between Alitalia management and unions. "There are signs of rethinking and greater maturity among the protagonists." he observed.

Fresh talks are expected to begin again today with representatives of the unions. Negotiators are attempting to separate the thorny issue of pay from other areas where there is evidence of an emerging consensus - the idea of an 18-month labour truce and the need for a L1,500bn (\$550m)

Eutelsat opens its doors wider

Eutelsat, the European satellite communications group, has opened the door to investors other than its existing owners to hold shares in the company, allowing new telecoms operators and broadcasting organisations to invest in and have access to the group's satellite systems.

The move is seen as a response to the increasingly competitive nature of satellite communications in Europe and also represents a step closer to privatisation.

Eutelsat is controlled by its 44 member countries, each of which holds a stake in the group through a designated signatory – usually the country's principal telecommunications operator. The group's controlling body meeting in Paris yesterday agreed a change in its rules

allowing more than one signatory for each member country. Entelsat is in direct competition with Luxembourg-based Société Européenne des Satellites, owner of the Astra satellite system. The main battleground is digital television; when Astra's three latest satellites are in place at the end of next year it will be able to direct 500 channels of digital television towards Europe. Eutelsat is launching three new satellites called "Hot Bird" capable of either analogue or digital

broadcasting with a further 500-channel capacity.

Broadcasters entering the digital television field might feel more confident using Eutelsat if they had a stake in the company, officials said.

Hungary to start power sell-off Hungary's state privatisation and holding company (APV) is

to offer 8 per cent stakes worth Ft 19.1bn (\$136m) in the country's six electricity supply companies to holders of government-issued coupons. The first exchange will begin on February 12 be for Ft 3bn worth of shares in Demasz, the supply company in the south of Hungary, according to Mr Tamas Suchman, the privatisation minister. In a new move, a fifth of the shares in the Demasz offer will be allocated to holders of coupons living abroad. Later in the year, a 2 per cent nominal value Ft 5bn stake in

MVM, the national electricity company, and a 5 per cent nominal Ft 5bn stake in MOL, the national oil and gas company, will also be offered in exchange for coupons.

At the end of last year, APV sold 48 per cent stakes in the

electricity supply companies to French and German utilities. Electricité de France paid \$155m, or 120 per cent of book value. for 47.7 per cent of Demasz. Kester Eddy, Budapest

Turkey names new speaker Turkey's parliament elected a new speaker yesterday, setting

the clock running for the formation of a new government. Party leaders have 45 days following the speaker's election to agree on a coalition, failing which the president must call fresh elections. MPs chose Mr Mustafa Kalemli, of the conservative Motherland party, as speaker, easily defeating the candidate of the Islamist Refah party, the largest in parliament. However, Refah's candidate still managed to attract votes from 39 secularist MPs in yesterday's ballot, taking 196 votes. Parliament has 550 members. Coalition talks are making little headway, even though general elections were held over one month ago. Mrs Tansu Ciller, caretaker prime minister and head of the conservative True Path party, is attempting to attract the Motherland party into an alliance. But Mr Mesut Yilmaz, Motherland party leader, has indicated that personal and political differences with Mrs Ciller are insurmountable, encouraging speculation that he may seek a coalition deal with Refah. John Barham, Ankara

Machine tool output rises

West European machine tool makers, hadly hit by the recession of the early 1990s, are enjoying a strong recovery in output and in exports, according to Cecimo, the industry's European umbrella organisation. Production will rise 10-15 per cent in 1996, following an estimated 22 per cent increase last year, says Cecimo.

But Mr Jean Heymans, secretary general, said yesterday the recent recovery started from a low base in the depths of the recession. He added that even though volumes were rising, the industry's profits remained under pressure, squeezed between increases in the costs of raw materials and an inability to pass on the price rise to customers. Cecimo estimates machine tool output last year in 12 leading

European producing countries rose to Ecu12.38bn (£10.4bn) including exports of Ecu8.59hn. Imports totalled Ecu4.92hn. The British Machine Tool Technologies Association forecasts a strong year for the UK industry, with an 18 per cent output rise in both 1996 and 1997.

ECONOMIC WATCH

European airlines

Tevenus Dassenger kms

Russian's promotion to government post draws withering fire

Car tsar takes wheel of economy

By John Thomhill in Moscow One of Russia's foremost

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Responsible for Advertising: Colm A. Kennard Printer: Hürriyel International GmbH. Admiral-Rosendahl-Strasse Ja. 63263: Neu-Benburg ISSN 0174-7363. Responsible Editor: Richard Lambert, elo The Financial Times Lunited. Number One Scualwark Brilge. London SEI 9HL. FRANCE: day what he expects from Mr Vladimir Kadannikov, just confirmed as first deputy prime minister in charge of economics. "Look at what is bappening at Avtovaz," he said, "and you will understand what will happen to Russia."

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S.A. Nord Fehar, 15721 Rue de Caire,
F-59109 Roubbax Cedex 1 Editor: Richard
Lambert, 15SN 1148-2753, Commission
Bacteria, 80a 870801. The comparison was not meant to be flattering. Avtovaz, Russia's biggest car plant, which has been run by Mr Responsible Publisher: Hugh Carney, 468 618 6038 Printer: AB Kvillstidungen Expressen, PO Box 6007, \$-550 46, kinkiyang Kadannikov since 1988, has recently fallen into a perilous financial state and has been forced to settle its delayed C The Financial Times Limited 1996. Editor: Richard Lambert, the The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL wages bill by raiding its

The vast Avtovaz plant, based in Togliatti in southern Russia, was built in an enthusiastic burst of Soviet central planning to be the pre-eminent car manufacturer and still

employs 100,000 workers. It has turned out thousands of basic Lada cars, adapted from an original Fiat design, which have become the butt of many a cruel Russian joke. Despite being a life-long member of the Soviet Communist party, Mr Kadannikov

eagerly embraced the opportunity to privatise the company - the management and employees own 38 per cent and drew up a number of grandiose development plans. But none has produced concrete results and Mr Kadannikov's management has attracted

ncreasing criticism. In a withering attack in yesterday's Sevodnya newspaper.

columnist Mikhail Leontyev wrote: "The plant which Mr Kadannikov manages is in an appalling condition even taking into consideration the objective economic problems in the Russian market. Mr Leontyev claimed Avto-

vaz had not produced a new model since 1988 despite building up company dehts of Rbs5,500bn (\$1.2bn). The management had no answers to their problems other than calling for higher tariffs on imports, he said, accusing them of redeploying company assets into the related Logovaz financial enterprise.

Not all assessments have been so harsh. Mr Roger Gale, the head of the Moscow office of the International Finance Corporation, investment arm of the World Bank, said:

"Kadannikov is personally a very charming man and is physically very imposing. He is certainly very respected in industrial circles."

Whatever Mr Kadannikov's merits as an industrial manager, his political skills are not in doubt. He is a frequent visitor to the Kremlin and is close to many of President Boris Yeltsin's aides. A photograph of him with the president featured prominently in the latter's autobiography.

In 1992, Mr Kadannikov came close to being appointed prime minister following Mr Yegor Gaidar's dismissal. But he lost out to Mr Victor Chernomyrdín, an industrialist of seemingly similar style and convictions, who has since turned out to be an effective proponent of economic reform

Denmark **questions** aid for shipyard

By Hilary Barnes

Denmark's government has asked the European Commission to investigate German financial backing for the Bremer Vulkan Shipyard, one of the Danish shipbuilding industry's main European competi-

Bremer Vulkan, with 23,000 employees, was recently saved from collapse by the provision of loans and state-backed guarantees from the City of Bremen to the value of DM220m (\$150m). Mr Thorkil Kristensen, man-

aging director of the Association of Danish Shipbuilders, said yesterday that government support for shipyards was forbidden under European competition rules without the prior approval of the European

Danish officials have been lobbying in Brussels for an investigation of the financing of Bremer Vulkan. The industry ministry said it was "difficult to see" how any aid given to the yard could be approved by the Commission.

"We have no reason to think that the Commission will not handle this case correctly, but we shall be keeping a very careful eye on it," he said. The Danes already have one

case pending in the European Court involving MTV, one of the largest of the east German shipyards, which was bought by Bremer Vulkan after the country was reunified. The Association of Danish

Shipbuilders, backed by the Danish government, is alleging that the Commission exceeded its powers when it approved German government subsides to the eastern shipyards. They maintain that the

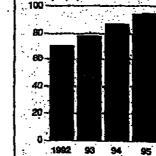
capacity of the modernised yards would be far bigger than was agreed by the Commission when the subsidies were first proposed. The Danish government itself has refused to provide

any form of financial support for Copenhagen's Burmeister & Wain shipyard, which is threatened with closure in

The yard's creditors claim they have put together a plan which will keep it open, but have not published details of the plan and the shipyard's future is in the balance. B & W's problems aside, the

industry ministry recently published a report concluding that the country's shipbuilding industry was internationally competitive and had a bright future as long as it did not have to compete against yards receiving direct or indirect

Air passenger travel up 6.3%



published in November.

airlines within Europe grew by a further 6.3 per cent last year, to 94.87bn kilometres of passenger revenue, up from 87.3bn in 1994, according to the Association of European Airlines (AEA) yesterday. Total international passenger travel for member airlines was up 7.6 per cent to 372.8bn km, from 346bn in 1994. December international freight traffic rose 3.8 per cent to 1.980bn revenue freight tonne km. for a 1995 increase of 7.6 per cent to 22.46bn from 20.82bn. The increase means

Passenger travel on European

intra-European airline traffic has increased by almost 30 per cent in the past three years. Mr Karl-Heinz Neumeister, secretary general of the Brussels-based AEA, said the rapid increase was a consequence of the liberalisation of European air traffic over that time. "It is clear that the ability of airlines to exercise scheduling and pricing freedom has had a positive effect," Mr Neumeister said

"Nevertheless, there is a catch. How long can the infrastructure within which we operate go on absorbing such huge numbers of new travellers each year?" he said. Richard Adams, London Dutch GDP growth in the third quarter of 1995 was 2.2 per cent, compared to the preliminary estimate of 2.3 per cent

Poland -

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By Anthony R.O

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Poland searches for a PM

and Christopher

Poland's ruling coalition leaders yesterday started the search for a new prime minister as Mr Lech Walesa, the former president, repeated his call for fresh parliamentary elections to resolve the country's political crisis

President Alexander Kwasniewski called leaders of the Democratic Left Alliance (SLD), the main party in the ruling coalition, to the presidential palace following the resignation on Wednesday of Mr Jozef Oleksy. The former premier faces an official invesfigation into his alleged links with Russian intelligence

The president then held separate talks with Mr Waldemar

Pawlak and other Peasant lower house of parliament, Party (PSL) leaders before the junior coelition partner set off for talks with the SLD to try to find a mutually acceptable candidate, avoiding the need for

early general elections. However Mr Walesa, who lost the presidential election to Mr Kwasniewski last November, said yesterday the only democratic "way" to resolve such a crisis would be "to hold new elections".

The PSL is making a bid for the premiership but its candidate - Mr Miroslaw Pietrewicz, a former academic who heads the central planning ministry - is not taken seriously by the SLD which wants to keep the top government post. It indinevertheless that Mr Jozef Zych, a senior PSL politi-cian, marshal of the Sejm, the

would be acceptable. Mr Zych is not believed to be interested in the premiership and the SLD hopes it can persuade its coalition partner to accept Mr Marek Borowski, a former finance minister, who is close to the president and

heads the powerful cabinet. office of Mr Wlodzimierz Cimo-

szewicz, deputy speaker of the

Mr Cimoszewicz stood unsuccessfully for the presidency against Mr Lech Walesa in 1990 and took over as head of the constitutional committee when Mr Kwasniewski, its former chairman, became president last month.

He is an independent-minded figure who tried to dissuade Mr the presidency because be

feared it would stir up latent anti-communist feelings. Four months ago he wrote a controversial joint article suggesting former communists and their Solidarity opponents should work towards healing the historic divisions between Poland's main political forces. The appointment of a sup

porter of such a Polish-style "historic compromise" would help to broaden the appeal of a revamped coalition govern-ment still dominated by politicians with a communist past. President Kwasniewski is expected to consult today with

leaders of the centrist Freedom Union and the left-wing Union of Labour (UP). These are the two main opposition groups in parliament which stem from the former anti-communist Sol-

Political shock has little impact on growing economy

Warsaw markets nonchalant

By Anthony Robinson and Christopher Bobinski

Unlike so many crises in the past, the six-week political drama sparked off by allega-tions about the links between Mr Jozef Oleksy, Poland's prime minister, and a KGB agent, has had no noticeable

impact upon the economy.

The Warsaw stock exchange shrugged off the crisis entirely, with the index rising a further 3.5 per cent in heavy trading on the day of Mr Oleksy's resignation and rising a further 4.5 per cent yesterday.

The grounds for such nonchalance are easy to see. The largest economy in central Europe - Poland's population is four times that of the Czech Republic or Hungary - is in incomparably better shape than anybody could have imagined in January 1990 when the first Solidarity government launched its pioneering "shock therapy" stabilisation and

Last year it grew by 6.5 per cent against the background of an appreciating currency, declining inflation and lower interest rates. This was made possible by strong export performance, especially over the first half, and a \$9bn capital

inflow which led to a real appreciation of the currency and cheaper imports which beloed to dampen inflation.

The 1996 budget, which passed smoothly through the Seim, the lower house of parliament, and will shortly be ready for the president's signaassumes at least 5.5 per cent growth for this year. The budget also anticipates a further decline in inflation from last year's 22.6 per cent to around 17 per cent and a budget deficit which, at 2.8 per cent of GDP, is comfortably within the EU's 3 per cent Maastricht convergence crite-

The combination of sustained rapid growth and macro-economic stability, coupled with continuing privatisation and high productivity growth within the now 65 per cent private or privatised economy, reflects a broad spectrum of agreement on economic policy between the government and the opposition.

The dominant reforming wing of the Democratic Left . Alliance (SLD), which has ruled Poland in coalition with the Peasant Party (PSL) since September 1993, has broadly continued the market-orientated policies initiated by the the SLD-led government for

Freedom Union (UW), the former Solidarity party, in 1990. The SLD and the UW are both largely urban parties,

while the PSL exists to defend rural population, using itsinfluence as the swing party of Polish politics to gain economic and other concessions for farmers. It is suspicious of privatisation and foreign investment and unenthusiastic about Poland's ambition to enter the EU.

As economic growth stimu-lates the development of Poland's middle class, Poland may see a political realignment along more conventional class and interest lines.

Poland's finance minister, Mr Grzegorz Kolodko, warns that if the political crisis over alleged KGB links with senior SLD politicians deepens and makes early general elections unavoidable, the government's privatisation timetable could be delayed. But he is optimistic. "Look outside, nobody is protesting in the streets. The situation is calm. This is largely because our economic policies are working. People are enjoying higher incomes,

lower inflation and more jobs."

He rejects UW criticism of

backtracking on privatisation and opting instead for reorgan-isation of the state-owned sector, as in its controversial plan to consolidate several smaller anks into two big state-owned banking groups led by Bank Handlowy and the Pekao SA bank, instead of privatising

"This government intro duced the mass privatisation programme and has privatised more than any other Polish government, says Mr Kolodko. "Last year alone pri-vatisation brought over \$1bn into the treasury.

"Banks already represent over 30 per cent of the total capitalisation of the stock exchange. We privatised two banks last year alone. There simply isn't the appetite for more banks. The consolidated banks will be privatised but their privatisation is also linked to reform of the social security system and pension

The plan is to capitalise the proposed new contributory pension funds with the shares of the consolidated banks and other profitable state-owned companies such as the Miedz copper complex and Polish com also scheduled for partial privatisation this year.

Calls for French savings rate cut

By Andrew Jack in Paris

The French government came under growing pressure yes-terday to reduce the rate offered on one of its key savings products as part of efforts to raise the level of consumption and kick-start the

Representatives of the country's leading banks called on Mr Jean Arthuis, the economics and finance minister, during a morning meeting to cut the rate of the "Livret A" offered through the French Post Office and the national savings bank to levels in line with other savings products. The pressure comes as the

government considers measures likely to be unveiled next week in confunction with Germany to boost economic growth, as well as details of policies to help consumption promised at the time of its social summit late last year.

The current tex-free rate of 4.5 per cent on the Livret A has remained fixed since 1986, and has become an increasingly attractive low-risk form of non-productive savings at a time when returns on other products have been dropp

Mr Arthuis met the heads of Société Générale, Banque Nationale de Paris, Crédit Agricole, Crédit Lyonnais and the Caisse d'Epargnes, some of whom have argued in the past that they would like to see the right to distribute the Livret A spread across the sector. His aim was to persuade the banks to cut their own interest rates as part of a concerted effort to boost consumer spending.

Mr René Barberye, head of the Caisse d'Epargne, the savings bank, added to the pressure to cut the rate on Livret A by 0.5 percentage points yesterday morning, rather than risking losing his duopoly rights to issue the product.

His comments follow similar calls from Mr René Monory, head of the French Senate, and Mr Etienne Pfimlin, head of Crédit Mutuel, which has the exclusive right to distribute the "Livret Blen", a product Financial Times, Mr Lipponen ening of the markia, available on identical terms.

Criticism of Giscard's call for flexible Emu

By Andrew Fisher in Frankfurt. Andrew Jack in Paris and Bruce Clark in London

French and German politicians reacted sharply yesterday against the suggestion by Mr Valery Giscard d'Estaing, former president of France, that the criteria for European economic and monetary union be interpreted flexibly to ensure it could begin on time in 1999.

Mr Klaus Kinkel, German foreign minister, said Emu should be completed on schedule and with a strict interpretation of the criteria. "If Emu fails, the risks for the German economy will be incalculable. The whole European integra-tion process would be endan-

Mr Hervé de Charette. France's foreign minister. stressed his continuing commitment to the Maastricht conditions. The move to a single currency was "an absolute pritable and with the conditions" set down in the Maastricht

The controversy began when Mr Giscard said on Wednesday that the Maastricht treaty criteria on public debt and budget deficits should be interpreted to allow for the effects of economic slowdown. France faced difficulties in meeting the debt target of 3 per cent of gross domestic product.

Although the treaty contains scope for interpretation if countries are judged to be moving steadily towards the criteris levels, the German govern-ment and Bundesbank have taken a rigorous line on the need for candidates to fulfil the standards for Emu.

Mr Kinkel painted a bleak picture of the consequences for Germany if the Emu project collapsed. These would include foreign exchange unrest and "probably a strong revaluation of the D-Mark", damaging ority" for France "in the timeexports and jobs. The single

question and the danger of economic nationalism and competitive devaluations would probably reappear. He said neither a weakening of the criteria nor a postponement of Emu was acceptable to Germany. The Bonn government was prepared to start Emu with a small group of countries, but France must be one of them.

Sceptical comment came from prominent figures in France, including Mr Marc Vienot, head of Societé Générale, the bank, and Mr Pierre Dauzier, chairman of the Havas media group. Both warned the timetable for 1999 may be too tight. Mr Jean Arthuis, economics and finance minister, conceded this week that France might not be able to meet its budget deficit reduction target for 1995 as a result of unexpectedly lower tax receipts. But he stressed yesterday it would remain

Finnish PM to maintain 'tight financial policy'

Mr Paavo Lipponen, Finland's Social Democratic prime minister, has promised his government will maintain fiscal discipline despite mounting criticism of its failure to tackle one of the Europe's highest unemployment rates.

He said it made no sense to stimulate the economy "outside the framework of a tight financial policy" because employment prospects would be damaged by higher interest rates, lower investment and slower growth.

But figures published yesterday showed the scale of the problem the government is facing: Finnish unemployment fell just 0.4 percentage points to 17 per cent in 1995, despite economic growth of 4.5 per

In an interview with the

ployment was "falling at a lower rate than we expected." But he said the government's target of halving unemployment to around 9 per cent over its four-year term of office remained in place. "It is prema-ture to judge us after only eight months in power," he added.

The five-party coalition government's commitment to fiscal discipline is embedded in a FM20bn (\$4.4bn) programme of spending cuts - agreed immediately it took office last April and a drive to make Finland one of the first members of

European monetary union. The tough stance has been rewarded by financial markets, bringing a 3.5 percentage fall in long-term bond yields over the past eight months.

But hopes of lower unemployment have been eroded by the impact of slower economic growth in Europe, a strengthening of the markka, and a rise

prerequisite for bringing unemployment down. If we had not made these cuts when the economy was growing, we could have had a double crisis of high unemployment and weak state finances when demand is lower. That would really break us," Mr Lipponen stated.

He promised a new package of measures to tackle joblessness next month, including structural reforms and a programme to boost construction. The priority now is the domestic economy," he stated. Mr Lipponen said the gov-

ernment would miss Mr liro Viinanen, the finance minister and architect of Finland's austerity drive, who announced his resignation last week to join an insurance group. But he stressed there would be "absolutely no change in fiscal discipline" under Mr Sauli Niinisto, Mr Viinanen's designated successor.

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INVITATION TO NEGOTIATIONS

with respect to acquisition of shares of

Bank Slaski S.A. w Katowicach

Bank Handlowy w Warszawie SA Capital Markets Centre

acting on behalf of the State Treasury represented by the Minister of Finance hereby invites to the negotiations aimed at the sale of 671,184 shares of Bank Slaski S.A. owned by the State Treasury

The interested parties should submit applications stating their intention to participate in the negotiations in writing. Such applications should include in particular the following data:

The name, identity card or passport number, place of permanent residence or - if the investors is a legal entities - the name and seat of the entity and an excerpt from a register appropriate for the investor's seat or other legal documents containing basic data concerning the investor which show his legal status, manner of representation as well as names of people authorized to represent him. If the investor is a foreign entity documents should be certified by a notary or a Polish diplomatic agency or consular office and translated into Polish by a swom translator.

The investor's investment policy towards a block of shares being a subject matter of the negotiations;

The following documents should be attached to the above mentioned application:

A consent (promise) of the President of the National Bank of Poland in the event the investor's acquisition of the block of shares being subject to negotiations together with shares being at his disposal shall constitute a block authorizing him to exercise 10%, 20%, 33%, 50%, 66% or 75% at the General Shareholders' Assembly;

A copy of the notification to the Auti-Monopoly Office concerning the investor's intention to acquire shares being subject to negotistions if such obligation results from Art. 11, Item 2. Section 4 of the Law on Commeracting Monopolistic Practices dated February 24, 1990 (the whole text: Journal of Laws of 1995. No 80, Item 405) and a copy of the Office's statement that there are no restrictions as to such acquisition of shares.

The intention to participate in the negotiations may pertain only to the number of shares being subject to sale.

> Application to participate in the negotiations should be submitted by March 11, 1996, 3:00 p.m. in scaled envelopes in Warsaw, Kasprzaka 18/20 Str., room 204, **POLAND**

The organizers reserve a right not a commence or to renounce. the negotiations without giving any justification.

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INVITATION TO NEGOTIATIONS

WIELKOPOLSKI BANK KREDYTOWY SA

with respect to acquisition of shares of

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The investor's investment policy towards a block of shares being a subject matter of the negotiations;

The following documents should be attached to the above mentioned application:

A consent (promise) of the President of the National Bank of Poland in the event the investor's acquisition of the block of shares being subject to negotistions together with shares being at his disposal shall constitute a block authorizing him to exercise 10%, 20%, 33%, 50%, 66% or 75% at the General Shareholders' Assembly:

A copy of the notification to the Anti-Monopoly Office concerning the investor's intention to acquire shares being subject to negotiations if such obligation results from Art. 11, Item 2, Section 4 of the Law on Commercing Monopolistic Practices dated February 24, 1990 (the whole text: Journal of Laws of 1995, No 80, Item 405) and a copy of the Office's statement that there are no restrictions as to such acquisition of shares.

The intention to participate in the negotiations may pertain to blocks of shares representing 5% of the

share capital of the company or their multiplicity. Application to participate in the negotiations should be submitted by March 11, 1996, 3:00 p.m. in sealed envelopes in Warsaw, Kasprzaka 18/20 Str., room 204, POLAND

The organizers reserve a right not a commence or to renounce the negotiations without giving any justification as we as the right to reduce the number of shares provided in the application and the right to sell states being subject to negotiations to individual at different prices.

If the number of shares which foreign investors intend to acquire is larger than 50% of the share capital, please note that there is an obligation to obtain an appropriate permit on the basis of the Law on Foreigners' Purchasing Real Property dated March 24, 1920.

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Elder statesmen promote rivals for top HK post

By Simon Holberton in Hong Kong

The race to become Hong Kong's first chief executive has taken a fresh turn with China's two most senior advisers in Hong Kong declaring themselves for different candi-

Mr TK Ann, 84, said before leaving for today's inaugural meeting in Beijing of the Preparatory Committee, the 150-member group overseeing Hong Kong's reversion to China, that he thought Mr CY Leung was the man for the job.

Mr Leung, 41, is a surveyor by profession who has been closely

ASIA-PACIFIC NEWS DIGEST

high. December imports were Bt161bn.

associated with Beiling's cause in the colony since the early 1980s. Mr Ann, an elder statesman, is an industrialist who has never been far from the inner councils making Hong Kong policy in Beijing.

His decision to speak out in favour of Mr Leung pits the latter against Mr CH Tung, 58, a shipping tycoon. Less than two weeks ago Mr Henry Fok, 72, another very senior China adviser, came out strongly in favour of Mr Tung.

The public statements by Mr Ann and Mr Fok, both of whom prefer to act behind the scenes, were described by diplomats as the begin-

ning of intense lobbying for Hong Kong top political job.

"It is an enormous piece of patronage for the Politburo to dispense," observed on western diplomat. "The balancing of vested interests will be difficult, especially against the background of an uncertain leadership situation in Beijing."

All four men were appointed vicechairmen of the preparatory committee late last year. The committee's two-day meeting in Beijing is expected to establish sub-committees to take charge of various aspects of the handover as well as decide a code of conduct for committee members.

minutes to go 3km through the

city's central business district

at midday; it was hardly tolera-

ble, but was an improvement

the same trip used to take half

"Hell has gotten just a bit

cooler," says a grizzled Bang-

kok taxi driver. A recent poll

by the Suan Dusit polling

organisation showed 49 per

cent of the city's 9m inhabit-

Only 9 per cent of those sur-

veyed thought traffic had got

worse; this is remarkable, given that 120,000 new cars, or

about 240km of additional road

demand, began circulating in

Bangkok ahead of Mr Thak-

For a politician who has so

obviously lost out on being

able to keep a promise, Mr

Thaksin gets remarkably high

approval ratings: some 65 per

cent of respondents said they

were pleased with his perfor-

Bangkok traffic is still hell

and still quite hot. Thousands of the city's residents must be

on the road before dawn to

reach work or school on time.

Mass transit barely exists;

where it does it is inefficient

Habitual gridlock means that

often the only way to get

sin's six-month deadline.

an hour.

that members observe collective responsibility and confidentiality. Beijing is expected to keep a tight rein on proceedings and allow little room for deviation from existing pol-

The most urgent task facing the committee, however, is the selection of 400 Hong Kong people to form an electoral college to recommend a candidate for chief executive.

The 400 are meant to be representative of Hong Kong and provide the colony's people with their first ever

appointed governors without consulting local people.

Few in Hong Kong, however. expect this group to do more than validate Beijing's chosen candidate. t is thought unlikely that the electoral college will be posed with a choice of candidates.

Both Mr Tung and Mr Leung deny any ambition for the post of chief executive - which on paper vests the incumbent with considerable power post he would accept.

- but few doubt that if either were to be asked by Beijing to take the

political leader. Britain has always for Beijing to make. He has had no direct experience of government although he was a key local figure in the drafting of Hong Kong's post-1997 constitution - and he is very young by the standards of Chinese

Mr Leung is also a locally born Cantonese. It would go against custom in Chinese politics for a senior provincial post, such as chief executive of Hong Kong, to be awarded to someone from the same locality. Mr Tung, who has lived in Hong Kong since the Communist takeover of China in 1949, comes from Ningbo, a port city south of Shanghai. Mr Leung would be a bold choice

talks on Indian finance plans

By Mark Nicholson in New Delhi

The Asian Development Bank is discussing with three Indian financial institutions a ploneering lending programme aimed at easing the financing bottleneck for private Indian infrastructure projects while helping develop a long-term debt

market in the country.

Dollar loans worth \$600m are under discussion, to be financed jointly by the ADB and the Export-Import Bank of Japan, which has signed a pact to lend \$300m for infrastructure projects to the Industrial Development Bank of India. The loans are expected to go before the ADB board for

approval before June. The recipients, ICICI (to get \$300m), IFCI (\$300m) and SCICI (\$100m), which are state-run development finance institutions, would be expected to lend money on for projects involving power, telecoms. ports and roads.

Mr Alfredo Pascual, ADB chief investment officer in New Delhi, said on-lending would meet only 40-50 per cent of any private project cost. It was hoped borrowing companies would issue corporate debentures for the rest.

"Funding will only be given if it generates marketable debenture securities," he said. In tandem with the lending. ADB would offer technical aid to the three institutions to help them develop and make a market in these debentures.

"The lending has two aims: direct aid to bridge the funding gap for infrastructure, and help develop a sustainable form of funding; in the long term, India has to depend on

its own local debt." India's debt market is highly illiquid and at present offers little opportunity for longerterm financing essential to infrastructure investments. A recent World Bank study showed over 1,500 private and public bonds and debentures with a face value of over Rs200hn (\$5.6hn) were listed on Indian bourses last year, but "the secondary market is virtu-

Mr Pascual said the market would be aided by the advent, later this year, of automated settlement systems to replace costly paper-based transaction and settlement. India has issued guidelines for formation of primary dealers in government debt, which is hoped to stimulate the debt market. The ADB has taken an equity stake in SBI-Gilts, one prospective primary dealer.

The ADB, which hopes to raise its lending to India from \$700m to \$1bn in the next few years, has agreed a \$250m loan to develop India's capital market. The ADB will impose eligibility criteria on projects to be financed by the loans, mainly in the power sector, where the bank would back financing in Indian states reforming their state electricity boards.

'Hell has gotten just a bit cooler'

Bangkok's traffic problems have eased but still beat its overlord, Ted Bardacke writes

Thai deficit ix months ago, Mr Thakforecast raised sin Shinawatra, Thai-land's deputy prime min-ister, made a ridiculous pledge. Thailand's central bank is likely to raise its current account On being appointed traffic deficit estimate for 1995 above the previously forecast overlord for Bangkok, he prom-7.1 per cent of gross domestic product, already a four-year ised to solve the city's legendhigh, the bank said yesterday. Higher than expected import ary traffic problem by today.

As at yesterday, it took 20

tionally high defence import bill, were the reason for the The import bill for November was revised upward to a record Bt168.2bn (£4.4bn) from an original estimate of Bt152bn. November's current account deficit was Bt33.8bn, a five-month

levels in November and December, including an excep-

Other figures released by the bank show its tight monetary policy is continuing to have the desired effect of slowing the economy. Private investment, up 14.2 per cent in December from a year earlier, slowed its growth for the sixth straight month. Manufacturing production rose 9.4 per cent, growing only slightly. Growth in commercial bank credit continued to fall, increasing 24 per cent in December (20.2 per cent excluding loans by offshore banks).

Foreign currency reserves continued to climb, hitting a Ted Bardacke, Bangkok

Hong Kong retail sales down 5%

The malaise in the shopping malls of Hong Kong showed little sign of abating in November, with retail sales 5 per cent lower in volume terms compared with the previous month and 1 per cent below a year earlier, figures released yesterday showed. Hong Kong does not seasonally adjust its retail sales figures, so the large drop in November sales (compared with October) may exaggerate the true direction of consumer demand. The government said sales of motor vehicles continued to decline significantly compared with a year ago, and were 41 per cent lower in volume terms.

Sales in department stores improved for the first time in nine months, rising 1 per cent in volume terms over the year to the end of November. Economists expect a recovery in consumer spending this year on the back of easier monetary conditions and a brightening outlook for the Chinese

New Zealand GDP surprise

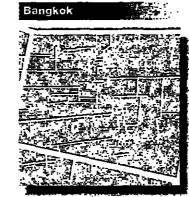
New Zealand's gross domestic product rose by an unexpectedly high 0.8 per cent in the September quarter of 1995, but analysts said yesterday the outcome was largely an aberration. Most economists were forecasting a rise in real, seasonally adjusted production-based GDP of about 0.4-0.5 per cent over the quarter.

Mr Stephen Hickson, GDP specialist at Statistics New Zealand, said the September quarter did appear high but the rise was exaggerated by a downward revision in the June quarter to 0.1 per cent from a previously published 0.3 per cent. "Annual growth is still very much in line with what has been expected," he said.

The seasonally adjusted change from the same year-ago quarter was 3.2 per cent against 3.8 per cent in the June quarter and 5.7 per cent in the September quarter of

Bangkok jam: running less slowly





These problems can only be

solved by long-term measures

such as mass transit, road pric-

ing and development control

and planning, "still 25 years away," said Mr Graham Bodell,

director of the traffic consul-

better management can have

an effect. Much of his time has

been spent co-ordinating the

Mr Thaksin has shown that

tancy Sindhu Pike Bodell.

per cent of Bangkok's compared to 20-25 per cent in European cities. similar size in central Bangkok (left) and central London (right) illustrate the difference. overall road space, the large majority of Banakok are dead-end. leaving main roads to carry an inordinate share of the traffic burden.

Traffic Systems of the UK has partially installed a £27.5m automatic traffic light system. which eventually will take over all the city's 569 traffic lights from manual operation by police sitting in booths at

each intersection. Even here, Mr Thaksin has had to put pressure on the Telephone Organisation of Thailand and the Metropolitan

has been in traffic lights. Peek and continual electricity to power the system. Already the Peek system has reduced waiting time at many

lights from a frustrating 10 minutes or more to just two or three, thus better spreading traffic out along Bangkok's limited road space.

"If you've only got 8 per cent road space (compared to 25 per cent in most other cities) it is vitally important to use it effi-

By April the system will be fully operational, at which point 1,800 road sensors backed by video cameras will measure traffic flow and alter the timing of lights in the system. The idea is to reduce the instances of gridlock, prevent a single problem such as an accident from causing delays in the rest of the city, and to get

Mr Thaksin has shown that better management can have an effect

police out of their booths and into enforcing traffic regula-

Extra benefits are the ability to introduce "green waves" for motorcades (one for taking a member of the Royal Family to the airport has already been programmed into the system) and changing the timing of the lights depending on whether school is in session, a big factor affecting traffic flow.

The new system should give Mr Thaksin some breathing room to turn his attention to pushing through his next set of priorities: an expansion of the expressway system and implementing the city's three mass transit systems, two of which are already being built although neither are as yet financed. Tenders for a third are due to be issued on Mon-

These projects. Mr Gould said, are ultimately more important than automatic traffic lights. "If roads are totally overcrowded, no system in the world is going to fix that."

around the city is to risk one's work of the four ministries and life and damage one's lungs by 10 agencies with responsibili-Electricity Authority to prociently," Mr Anthony Gould, riding on the back of a motorties for transport vide enough high-quality tele-Peek's managing director for One important improvement cycle taxi. tighten derivatives reporting

Japan's finance ministry is considering tougher rules to force securities companies to improve reporting of their derivatives exposure.

instruments such as futures and options, whose worth is hased on the value of an underlying asset.

Officials have been meeting representatives of the country's stockbrokers in the past few weeks with a view to strengthening the patchy nature of disclosure on derivatives trading. The new requirements are expected to force brokers to report market prices of all securities, including customers, in their published financial statements

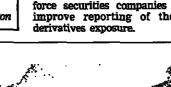
At present, derivative positions not yet settled are not generally reported in brokers' accounts. Officials believe this poses an unacceptably high degree of risk for counterparties to Japanese financial

The rapid growth of derivatives trading in the past few years, and the high gearing associated with it, have reliability of financial reporting in Japan.

Fears have arisen that some companies may have covered up big losses on pending transactions not yet settled. Weak disclosure rules discourage institutions from declaring loss-making positions speedily.

Concern about the quality of Japanese financial reporting has also been heightened by a serious of banking disasters in collapse of several smaller institutions and disclosures of huge losses at Daiwa Bank's New York branch.

Some brokers have already volunteered to publish details of outstanding derivatives positions as appendices to their main accounts. But the ministry aims to require all companies to mark their positions to market in the profit and loss statement of their reports.





European Stockmarkets

on Thursday, February 15.

On 2nd January, new EU legislation governing the remote trading of stocks between European countries was introduced. The Financial Times will raise the many issues and choices facing the Exchanges and securities houses dealing cross-border within Europe as well as the role to be played by information providers in this new and more competitive environment.

If you would like to know in more detail what subjects will be covered, a full editorial synopsis and advertising costs are available from:

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WORLD TRAPE for S! trade

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US accuses Canada of 'unfair' cultural barriers

Books and magazines are at the heart of a trade dispute between the North American neighbours, writes Bernard Simon

🕇 anadians have much in common with their American neighbours; they speak the same language, enjoy the same sports, watch many of the same films and television programmes and read the same best-sellers.

But Canadians have a strong sense of what makes them different, as demonstrated by a spate of trade disputes that have flared across the 49th parallel. The disputes, over magazine publishing, cable TV and bookselling stem from a difference of philosophy, according to a Canadian government official. "The Americans regard these things as entertainment and service industries. We view them as integral elements of our culture.

The disputes centre upon barriers erected by Ottawa over the years to shield "cul-tural industries" from the publishing, broadcasting and movie giants across the border.

The Americans retort that the latest raft of disputes has little to do with nurturing indigenous culture. Mr James Blanchard, the US ambassador in Ottawa, says Canada's efforts to protect its culture have degenerated into a "commercial grab".

At the top of the Americans' list is an 80 per cent tax imposed by Ottawa last month on advertising revenues colCulture clash: magazines, country music and books figure large in disputes with US



try Network, a Canadian coun-

house, the US conglomerate,

The deal was hammered out

Commission

in mid-1995 after the Canadian

Radio-television and Telecom-

in NCN.

munications

music cable TV channel,

lected by Canadian editions of foreign magazines. The tax was introduced in response to lobbying by Canadian publishers against Sports Illustrated, which is published by Time-Warner, the US media group. Sports Illustrated had sought to circumvent discrimi-

nation against foreign magazines by introducing a "splitrun" edition, printed in Canada but with limited Canadian con-

Four in every five magazines sold in Canada are foreign pub-

lications. Domestic publishers worry that low-cost, split-run editions would drain the advertising pool still further and leave little for Canadian magazines, such as Maclean's, a local version of Time and New-

However, Mr Mickey Kantor, US trade representative. expressed "profound disap-pointment" that Canada had chosen to evict a US business enterprise that was established in Canada consistent with Canadian law and with the full

knowledge of the Canadian allowed NCN to take over a broadcast licence held for a decade by Westinghouse's Country Music Television. On another front, the Americans have complained Another cultural dispute is that the owners of New Coun-

brewing over plans by Borders, a hig US bookstore chain, to are dragging their feet on a deal under which Westingexpand into Canada Ottawa secured an exemption for cultural industries, including the would gain a 33 per cent stake book trade, from the North American free trade agreement

sectors remain subject to gov-ernment scrutiny. Local book-

sellers are pressing Ottawa to impose a domestic ownership threshold of at least 65 per cent on Borders' Canadian opera-

Mr Richard King, a past president of the Canadian Booksellers Association, predicted that Borders' entry into Canada would destroy the Canadian book distribution system. Furthermore, he said, "if you control distribution, you control

A US official scoffed at such fears, comparing Borders to

Wal-Mart, the powerful US retailer that spared no effort to give itself a Canadian image and to publicise the business it gave local suppliers since opening 122 stores in Canada two

years ago. Some US entertainment companies have responded to Canadian cultural sensitivities. WUTV, a Buffalo, New York, affiliate of Mr Rupert Murdoch's Fox television network, helped Canadian authorities test a device, known as the "V-chip", that would enable TV watchers to black out violent and other offensive proes. A high proportion of the station's viewers live across the border in southern Ontario.

The string of disputes come at a time when a bumper crop of Canadian writers, singers, film-makers and other artists are enjoying acclaim beyond their own borders. They range from Carol Shields, the Pulitzer Prize-winning novelist, to two popular country music singers, kd lang and Michele Wright. These artists' success far from home might suggest that taxes, subsidies and local ownership rules are not necessary to spawn real talent. To many Canadians however, their talent might never have been discovered or nurtured without the government's pro-

Standard for tiny memory card is agreed

and European electronics companies has agreed a standard for the world's smallest memory card which can store as much data as 45 floppy discs on a card the size of a postage stamp

The 13 companies, which include Compaq Computer, Hewlett-Packard, Microsoft, Intel and Advanced Micro Devices from the US, Fujitsu, Sharp and Konica from Japan and Philips and Nokia Mobile Phones from Europe, plan to open their specification to the public next month and promote it as the industry

The new, smaller memory card, called the Ministure Card, is a solid state card used to store and exchange data such as images, text and voice. It will mainly comprise flash memory chips and can hold up to 64-megabytes of memory. The card contains significantly more data than floppy discs and is also at least 100 times faster than floppies, according to Fujitsu.

Other electronics companies have been working on the development of different versions of a small memory

However, the participation of the world's largest producers of flash memory chips, increases the chances of the Miniature Card Miniature Card specification becoming the ndustry standard, according to the group.

With a width of 38mm, length of 33mm and height of 3.5mm, the Miniature Card is a quarter the size of integrated circuit (IC) memory cards in use in laptop computers, for

The small size of the Miniature Card will enable it to be used in small portable devices such as mobile phones. personal digital organiser and digital cameras.

In addition, the Miniature Card will be compatible with existing personal computer cards with the use of an

As a result, the exchange

For example, a photograph taken on a digital camera can be stored on the Miniature Card and then called up on the PC screen. Likewise, a musical recording made on a digital audio recorder can be

The companies promoting the Miniature Card plan to start introducing products by the spring or early summer. The first cards will initially contain 4-megabytes of memory, going up to 64-megabytes as market

WORLD TRADE NEWS DIGEST

Rifkind presses for S Africa trade accord

Mr Malcolm Rifkind, the UK foreign secretary, has written to his European Union counterparts urging them to give a clear go-ahead for an EU-South African free trade agreement when they meet on Monday.

The idea of such an accord was agreed in principle last summer but British officials feel that France has been dragging its feet over the issue by linking the South African agreement to wider external trade issues UK officials said they hoped that a firm political decision on Monday would be followed not less than a month later by a

formal instruction to the European Commission to start working out the details of an accord. Both France and Spain have resisted proposals by the

European Commission to broaden the scope of tariff preferences on agricultural imports from South Bruce Clark, London

Anam plans overseas chip plan

Anam Industrial of South Korea is considering building a semiconductor assembly plant in either Israel or freland as part of its plans to double overseas production. The company is reviewing sites for a \$200m-\$250m investment.

Anam is the world's largest semiconductor assembler and recently said it was considering setting up an additional overseas plant to double overseas production to 200m emiconductors a month.

Both countries have recently attracted interest from foreign investors. Last week, Daewoo of South Korea said it was planning to build a \$1.2bn semiconductor plant in Europe and said Ireland was a potential site.

Motorola, the US electronics company, and Delco, an affiliate of General Motors, have indicated interest in building a \$1bn semiconductor plant in Israel and Intel, the world's largest semiconductor manufacturer, late last year committed \$1.6bn to a semiconductor plant in Israel's Negev desert. Motorola has already set up a research laboratory in

 CST Entertainment of the US has filed a lawsuit against Silicon Graphics, Eastman Kodak and LucasFilm alleging infringement of a CST patent for video special effects.

The suit, filed in the US District Court for the Northern
District of California, claims each of the defendants has been making, using and/or selling devices that use the CST technology and inducing others to infringe its technology. CST is seeking an injunction to halt further infringement damages and the payment of legal fees. Reuter, Los Angeles

■ Ericsson Telefon of Sweden has won an expansion order worth \$50m to extend the network of Turkcell, the leading Turkish GSM mobile phone operator. Delivery of new switches and radio base equipment will be made during spring

■ Fichtel & Sachs, the car components maker owned by Mannesmann of Germany, has formed a joint venture with South Korea's Daewoo Precision Industries to make torque converters for automatic transmissions. Fichtel & Sachs will manufacture around 400,000 torque converters a year for

The Petroleum Authority of Thailand has awarded a contract to build and manage a gas pipeline project
to a Malaysian group led by Petronas and Nova Gas
of Canada. OGP Technical Services and Nova Gas were
awarded the contract to build the onshore Yadana natural gas

Brussels acts after Hanoi's National Assembly fails to pass its side of tariffs deal

EU suspends Vietnam's textiles quota

By Jeremy Grant in Hanoi

The European Union has suspended a textile quota agreement which would have allowed Vietnam substantially increased exports because Hanoi failed to grant the EU reciprocal access to its market by a mutually agreed deadline, EU officials said yesterday.

The issue has soured relations only six months after the EU signed its first bilateral co-operation agreement with Vietnam, which established diplomatic ties and initiated wide-ranging EU economic assistance to Vietnam. Under a deal agreed in prin-

effectively increasing the export value to Ecu400m (\$508m) this year from Ecu300m in 1995. In exchange, the Vietnamese had to agree to reduce textile import tariffs, as high as 100 per cent in some categories, on a sliding scale over 10 years starting from January 1 this year. The deal was significant because textiles account for 70 per cent of Vietnam's exports to the EU. Vietnam has said it hopes for \$1bn in textile export revenue by the year 2000, mostly from

ciple in July last year, the EU

was to have raised quotas on

exports of Vietnamese textiles.

However, although the European Council passed the agreement before the December 8 deadline, the Vietnamese failed to push the terms of their side of the bargain through the country's National Assembly by the same date, technically rendering the agreement null and vold. The new quotas were to have applied retroactively

from January 1, 1995. Vietnamese officials say they were unable to meet the deadline because the ministry of trade and ministry of industry needed more time to prepare documentation. "In December, they could not fully prepare it.

difficulty of co-ordination, but our policy is clearly that we must reduce import tariffs," said Mr Nguyen Dinh Hoan, deputy director, department of foreign economic relations. But diplomats point out the same National Assembly session managed to approve a raft

of complex tariff reductions in line with Asean Free Trade Area (AFTA) requirements. Vietnam joined Asean in July.

EU officials are not convinced that the time factor was responsible. "I doubt it was a question of time. What was required was not a major, major effort, quite frankly,"

all export quota applications

set for talks.

will be dealt with under an existing quota agreement dating from 1992. Scores of Vietnamese garment manufacturers are understood to have made applications for quotas which one EU official said had resulted in "massive overbooking", anticipating finalisation of the new quota agreement.

head of delegation to Vietnam. "We fulfilled our commit-

ments. Now, they have to make up their minds." He said

the EU was prepared to discuss

the issue, but no date had been

Vietnam's failure to act

before the deadline means that

favoured to win Chinese contract

China is poised to approve a project to build a 100-seater passenger aircraft, with a European consortium favoured to win the contract, according to Mr Anthony Nelson, the UK trade minister.

Mr Nelson said yesterday after discussions with Mr Zhang Yanzhong, vice minister of Aviation Industries Corporation of China: "Although there is stiff competition from Boeing and McDonnell Douglas I am most encouraged about our

Avic is the Chinese partner in the 100-seater project and will have a 35-40 per cent stake, Korean Aircraft Development Corporation will hold a similar percentage, a western partner will be accorded 20 per cent, with the balance going to an Asian participant, possibly

Japanese.
The European consortium includes British Aerospace. Aerospatiale of France, and Alenia, a unit of Finmeccanica of Italy. Daimler Benz Aerospace (Dasa), a participant in the European Airbus consor-tium, is also interested in participating in the 100-seater project but has not formally joined the European consor-

Western aircraft manufacturers have staged one of the most keenly contested bidding duels

in recent memory for the proj ect, reflecting the high stakes involved. China's demand for smaller aircraft to service its feeder routes is expected to explode with the planned extension of the country's domestic airline network.

In the battle for the sale of large aircraft carrying up to 400 passengers each, Boeing is well ahead of the Airbus consortium. Boeing has made its first such sale in China and of the country's approximately 400 commercial airliners, about 200 are Boeings.

European manufacturers have much higher hopes in the race with the US to be China's partner in the new 100-seater regional jet project. They believe the Chinese will turn to smaller aircraft to begin pro-viding transport between smaller cities and towns.

Mr Ian Watson, BAe's chief representative in Beijing, recently said; "The focus has been on wide-bodied aircraft for domestic and international routes, but a decision on purchases of smaller, feeder aircraft may be just around the Mr Nelson, who left China

for Britain yesterday, is the lat-est in a trickle of senior British officials visiting Beijing. He said after meeting Madam Wu Yî, China's trade minister, that Sino-UK commercial relations were set to enter a "new era".

Euro consortium | Iveco to invest \$150m in Chinese truck factory

By Tony Walker

Iveco, the Fiat subsidiary, will today sign an agreement with the Nanjing automobile works under which it will invest \$150m in a new plant to build light trucks in China. Mr Giancarlo Boschetti, pres-

ident and chief executive officer of iveco, said the investment would represent the company's biggest commitment to China and was part of plans to globalise Iveco's activ-

The venture, Naveco. plans to produce 60,000 3.5 tonne to 5 tonne trucks a year after three years. The partners will each

hold 50 per cent in the project. Iveco's agreement with Naniing auto may also open the way for Fiat itself to become involved in China's vehicle industry. The Italian company does not have a manufacturing presence in China for its cars, but along with other major international motor companies it is striving for entry.

China has frozen until 1997 new licences for joint ventures in the assembly and manufac-ture of cars. The aim of the freeze is to allow the components sector to grow, and thus be in a position to support fairly strict localisation provisions of the new auto-

motive manufacturing policy. Belging has said it wants three or four large manufacturing ventures to dominate vehicle production, bringing economies of scale and raising efficiency.

Mercedes-Benz and Volvo both have a presence in China's truck manufacturing sector and Scania of Sweden last week said it was considering a truck manufacturing joint venture in China.

Mercedes-Benz is investing over \$1bn in a joint venture in China to build a version of the Viano, a 1,000kg-capacity vehicle, called a Combi in

data between portable equipment, such as digital organisers or digital cameras. and PCs will be significantly enhanced, the group points

transferred for use on a computer.

Korean Securities Investment Trusts

Korea Investment Trust Co.. Ltd (KITC) would like to notify holders of Korean securities investment trusts that effective from 1 January 1996 there will be some amendments to the rates of Korean withholding tax that are applicable to payments from Korean securities investment trusts in respect of income and capital gains to nonresident individuals and foreign corporations having no permanent establishment in Korea. In the absence of any exemption under an applicable treaty or other arrangement, tax will be withheld by KITC at the rate of 27.5% in the case of dividend income such as distributions of income. If capital gains tax treatment is relevant, the appropriate rate will be whichever of 27.5% of the capital gain or 11% of the gross realization proceeds produces the lower amount of Korean tax (hersinafter Normal Rate). The following table gives the tax rates that will apply generally to residents of countries with which Korea has taxation treaties and who have no permanent establishment in Korea.

NR is Normal Ra	ite				<u>·</u>		Unit: %
Country	Interest	Dividend	Capital Gains	Country	Interest	Dividend	Capital Gains
Australia	15	15	NR	Malaysia	15	15	0
Austria	10	15	0	Mexico	15	15	0
Bangladesh	10	15	0	Mongolia	5	5	0
Belgium	15	15	0	Netherlands	15	15	0
Brazil	15	15	NR	New Zealand	10	15	0
Canada	16.5	16.5	0	Norway	15	15	0
Czech Rep.	10	10	0	Pakistan	12.5	12.5	00
China	10	10	(<u>a</u> -	Russia	0	10	0
Denmark	15	15	0	Philippines	16.5	16,5	0
Egypt.	15	15.	0	Poland	10	10	0
Piji	10	15	0	Roumania	10	10	0
Finland	10	15	00	Singapore	10	15	NR
France	10	15	0	Sri Lanka	10	15	0
Germany	15	15	NR	Sweden	15	15	0
Hungary	0	10	0	Şwitzerland	10	15	0
India	15	20	0	Spain	10	15	0
Indonesia	10	15	0	Thailand	10	NR	NR
Ireland	0	15	0	Tunisia	12	15	. 0
Italy	10	15	0/NR	Turkey	15	20	0/NR
Japan	12	12	NR NR	ŬK	15	15	0
Luxembourg	10	15	. NR	USA	13.2/NR	16.5/NR	0/NR
	1		1	Vietnam	10	10	Λ

Securities investment trusts managed by KITC are Korea International Trust, Seoul International Trust, Korea Small Companies Trust, Korea Equity Trust, Korea Pacific Trust, Korea Future Trust, Greater Korea Trust, Korea Oriental Trust, Korea Anglo American Investment Trust, Korea Rising Trust, Korea Core Trust, Korea Western American Investment Trust, Korea New Era Trust, Korea Magnum Trust, Korea Zenith Trust, Korea Advanced Trust, Korea Quality Trust, Korea Strategic Trust, Korea Leverage Trust, Korea Balanced Return Trust, Korea Ultra Trust, Korea Growth Yield Trust, and Korea Dynamic Trust.



Korea Investment Trust Co., Ltd. 27-1 Yoldodong, Yengdungpo-lu, Seoul, South Korea Tel. 822-789-4531 Fax. 822-789-4533/4599

The state of the s

Court challenge to telecom award Development Bank. The Bell over of SLRs100m for the past

deregulation telecommunications in Sri Lanka has suffered a serious setback, after an unsuccessful bidder won a court order blocking two international consortia setting up private networks.

The Maharaja Organisation, local partner of Japan's Nippon Telegraph and Telecommunications (NTT), obtained an injunction from the Colombo district court suspending the issue of licences to its rivals. The secretary to the Telecommunications Ministry,

Mr K C Logeswaran, said the

Maharaja-NTT bid was rejected

because they failed to sat-

isty financial conditions stipu-

By Amal Jayasingh in Colombo lated by the government.

"The case is a setback to the

deregulation process," Mr Logeswaran said. "This is going to affect the country very badly because we won't be able to meet the huge demand for phones. I only hope the case will be concluded fairly soon."

The court action was expected to slow down the establishment of two private telephone networks expected to provide 40,000 lines this year. The government last week selected two consortia led by

The Telia consortia includes two local companies -Metropolitan Group and the National

Telia of Sweden and Bell Can-

Canada consortia groups Sing-apore's Transasia Telecom and Sri Lanka's Brown and Com-

The two successful bidders were issued with letters of intent giving them three weeks to pay a licence fee of SLRs300m (\$5.6m.) The two consortia were to

establish up to 100,000 lines each to compete with the state-run Sri Lanka Telecom (SLT), which is scheduled for privatisation by the middle of the

Mr Logeswaran said the government stipulated that the local partner of the two private phone networks should have had a minimum annual turn-

three consecutive years. This collaborator, a fully owned Organisation, which had a turnover of only SIRs70m last year and considerably less in the two preceding years, he

The telecommunications

stipulation affected NTT's local subsidiary of the Maharaja

The Maharaja Organisation petitioned the District Court arguing that their bid had been unfairly rejected by the telecommunications authorities.

ministry has until the end of the month to answer the charges and both parties will have the right of appeal, which could take months or even

Quebec wins bigger voice in cabinet

By Bernard Simon in Toronto

Mr Jean Chrétien, Canada's prime minister, has brought two well-known Quebeckers into his cabinet, hoping to give the pro-Canada camp a stronger voice against secessionists in the French-speaking province. The prime minister has faced growing criticism over his national unity strategy since the separatists came close to winning an independence referendum last October.

The appointments were part of Mr Chrétien's first cabinet reshuffle since his Liberal government took office in late-1998. One of the most signifi-



Jean Chrétien: Under criticism

cant changes was Mr Douglas Young's move from transport to human resources. He has spearheaded a wave of privatisation and restructuring in the transport sector, and will now be in charge of reforming social security programmes. Mr Lloyd Axworthy, former human resources minister, has gone to foreign affairs.

Mr Arthur Eggleton, a former mayor of Toronto, receives the international trade portfolio, while Mr Paul Martin, the finance minister, was one of

few cabinet minister unaffected by the reshuffle.

The changes, announced yes-terday, also included the departure of several senior ministers, notably Mr André Ouellet at foreign affairs and Mr Roy MacLaren at international trade. The latter, who had indicated he would not stand in the next election, will become high commissioner in London.

The two newcomers from Quebec are Mr Pierre Pettigrew, a Montreal trade consultant, and Mr Stenhane Dion, a political scientist at the Université de Montreal. Mr Pettigrew takes over various junior foreign affairs responsibilities; Mr Dion has been named to take the inter-governmental

The federalist camp, which lacks powerful, credible voices within Quebec, has been in disarray since the referendum. Mr Chrétien has won little credit for two measures which, in effect, meet Quebec's demands for recognition as a "distinct and a veto over society'

changes in the constitution. Meanwhile, the separatists have consolidated their recent advances. Mr Lucien Bouchard, by far the most popular politician in Quebec, is due to take over next week as the province's premier. He pledged top priority to fiscal and economic problems, but is expected to aim for another referendum in 1997.

The reshuffle, which left only a few portfolios untouched, was more extensive than expected. Besides adding strength to his Quebec contingent, Mr Chrétien expanded representation from the increasingly influential western province of British Colum-

Mr Chrétien is expected to flesh out his Quebec strategy within the next few weeks, using work by a committee of senior cabinet ministers.

A star witness for Mr Starr

Patti Waldmeir finds Mrs Clinton heading for a grand jury today

7 hitewater: most Americans react to this complex tale with incomprehension or boredom. But Mrs Hillary Clinton is to step before a federal grand jury investigating the affair today, the first time any wife of a US president has had to face such embarrassment. That grabs national attention.

Allegations about distant land deals and commodity trades have tended to baffle voters. But the words "subpoena" and "grand jury" cut through the confusion. To the layman, they sound grim.

Mrs Clinton has sought to dispel that impression since it was announced that she had been subpoenaed by Mr Kenneth Starr, the independent counsel investigating the Whitewater real estate deal. She appeared, brilliantly smiling, when President Bill Clinton delivered his State of the Union address this week - applauded by their daughter Chelsea - and she graciously accepted her husband's tribute to

her. She did not look worried.
Only time will tell whether Mrs Clinton has anything to worry about in law. But, in politics, the negative publicity she has attracted is already damaging Mr Clinton's campaign for re-election in November. For, despite its forbidding title, a grand jury is not a court, but a 23-member body charged with investigation. Its job is to find out whether there has been wrongdoing, and if so, by whom. Once that job is

done, it might indict suspects and their case would go to court. Or it might not. So far, Mrs Clinton is only a witness in the investigation. She has not been informed that she is a target - that she is linked to any crime by substantial evidence and likely to be indicted for it. If she were, she probably would have received a letter advising her of her legal rights. The contents of those records.

By Raymond Colitt in Caracas

The Venezuelan government

this week hailed the opening

of its oil industry to private

capital as a sign of renewed investor confidence in the

Executives of oil companies

Interest by investors was

strong and government offi-cials said they were "pleas-antly surprised" by the posi-

tive response to the tender. Mr

Erwin Arrieta, energy minis-

ter, said the bidding round

had boosted the image of

Venezuela, which had "negoti-



White House says the First Lady has

received no such letter. However, she has been subpoensed with five other lawyers and White House employees, including the head usher - to give evidence regarding the mysterious discovery of her legal billing records related to Whitewater, and regarding the

Venezuela hails oil bids success

The grand jury is investigating whether there was any obstruction of justice in the handling of these records - under subpoena for two years but only rediscovered this month - as well as what they show about legal work done by Mrs Clinton for Madison Guaranty, the failed savings and loan institution owned by the partner of herself and her husband in the Whitewater land venture.

Investigators want to know why the subpoenaed records suddenly appeared on the third floor of the White House family quarters, in the Book Room, an area of restricted access open only to the Clintons.

their houseguests, maids, butlers and staff. They also want to know about legal work done by Mrs Clinton for Madison Guaranty. She has said she did 60 billable hours of work over 15 months, and says that is "negligible". The fact that the records bear the handwriting of Mr Vin-cent Foster, her close friend and deputy White House legal counsel, who committed suicide in 1993, adds to the intrigue. She will answer their questions, without her lawyer, in a solitary chair facing the grand jury, and she will do so in secret. It would be a daunting process, even for a person less confident than the First Lady.

Mrs Clinton has given evidence on many of these issues before, though previously interviewed by Mr Starr in the privacy of the White House, and she must step carefully to avoid damaging self-contradiction.

She has recently appeared to be less than generous with the truth, when defending her role in the sacking of the White House travel office in 1993, and in explaining her professional relationship with Madison Guaranty. She cannot afford, politically or legally, to let that impression persist.

industry and creating jobs.
"The opening of the oil

industry will only bring long-term benefits if it goes

beyond mere concessions to

pump oil, to include fresh pri-

vate investment in the down-

stream industry," says Mr

José Antonio Gil, head of the

Other observers said growth

consultancy Veneconsultores.

in the oil sector would not be

enough to jump-start the

national economy. "The non-

Colombian head reeks plebiscite dent Ernesto Samper of Colombia has called for a ral plebiscite on whether he should remain in officerous. yosal is meeting opposition from political remains the groups. untry's 15 main busing a suther-

president's authority and capacity to govern had been seriously weakened by allegations that his election campaign was partly funded by drug money. Mr Samper should consider stepping down temporarily, they said, with some of the 15 groups believing he should resign altogether.

The leaders of both Mr Samper's Liberal party and the Conservatives, Colombia's other main political party, are divided over whether to support the president. Mr Samper is recalling Congress, where his main backing lies, for special

Holding of a plebiscite would have to be approved by the Senate, and any further investigations of the president's conduct would be put in the hands of a commission that absolved him in December.

Deal done over Orange County

Two former top-ranking treasury officials of Orange County in California, one of whom claims to be suffering from dementia Camorina, one of whom craims to the CS securities and have agreed to co-operate with the US Securities and Exchange Commission's continuing probe of the county's 1994 bankruptcy.

The expected deal emerged on Wednesday when the SEC said it did not plan to press charges or seek further penalties against appointed and elected county officials, despite having accused them of securities fraud and misleading investors. Mr Robert Citron, the ailing former treasurer already

awaiting sentence after pleading guilty to separate fraud charges, his ex-assistant Mr Matthew Raabe, who faces trial on similar charges, and several politicians undertook in return not to breach securities law again.

The focus of the investigation will now turn to a clutch of more than 20 investment houses, financial and legal advisers employed by the county in the running of its investment pool. The pool was liquidated in December 1994, revealing losses of \$1.7bn which drove the county to file for bankruptcy. Mr Bill McLucas, the Washington-based watchdog's

enforcement director, claimed that the SEC's course did not constitute a "slap on the wrist". It was, he said, "the most significant and direct procedure" against a municipal investor in the SEC's 60-year history.

"We are not done. This is the first chapter," he told a news Christopher Parkes, Los Angeles

US homes sales decline

Sales of existing US homes fell 3.2 per cent in December, from the level of the previous month, the National Association of Realtors said yesterday, as buyers shopped for holiday gifts instead of housing.

Homes were sold at a seasonally adjusted annual rate of

3.91m units last month, down from 4.04m units in November, the group said. But the December sales rate was up 4 per cent from the 3.76m in the equivalent month of 1994. The December sales pace was weaker than Wall Street

economists' forecasts of 4.02m in December. The median price of a home was \$113,800 in December, down from a revised \$114,300 in November but up from \$109,100 in

December of 1994, the NAR said. The South of the US continued to lead in homes sold, at 1.43m, followed by the Mid-west at 1m, the West with 890,000, and the North-east, with 580,000 units sold. Reuter, Washington he I might

from around the world gathper cent state participation in ered in Caracas to bid for pre-tax profits, plus a cash improve the country's current exploration rights to 10 areas, totalling 4.5m acres.

bonus of \$108m, payable at once, for the Guaraphiche oil field, in the far north-east of the country. The concession has estimated reserves of 1bn barrels of light to medium crude oil and could produce up to 200,000 barrels per day.

ated firmly, without compro-

The bidding is to finish on

Monday, but the highest bid -

the most attractive blocks

were offered first - has come

from a consortium led by Brit-

It offered the maximum 50

mising its sovereignty."

Mr Anthony Hayward, president of BP Venezuela, said: "It

BP, and we are very pleased to have won it. Investors will commit a total

of \$11bn to develop the 10 areas over the next decade, of which approximately \$1bn will be invested as risk capital during the exploration phase, over three to five years.

In the short term, the oil round could "moderately account balance," said an economic analyst in Caracas. He expected the latest bidding round would bring in \$500m-\$700m this year alone.

But it will be three to five years before the new oil fields enter production and investors commit large sums of money, was very good strategically for thus stimulating the service

petroleum sector, which accounts for the vast majority of the country's work force, is in its third year of virtual stagnation," said Mr José Juan Gomes, an analyst with the economic consultancy Vene-

NEWS: INTERNATIONAL

Saddam casts shadow over oil market

Prices are faltering amid uncertainty over oil-for-aid talks

addam Hussein has once again thrown the world's oil markets off balance. Over the past week, prices have wavered as it became clear that talks could soon take place between Baghdad and the United Nations aimed at implementing Resolution 986, which allows for \$2bn worth of oil sales every six months to pay for humanitarian supplies. No date or venue has been set for talks and many analysts and diplomats wonder whether the latest overture will prove to be any more substantial than previous unrealised initiatives by Iraq since the end of

the Gulf War five years ago. But the fear among big oil exporters is that even limited amounts of Iraqi oil reaching world markets could undermine prices. Yesterday Mr Nas-ser Al Rodhan, Kuwait's finance minister, warned that "any increased production (by Iraq) would definitely affect

Some analysts fear an agree-ment could coincide with weaker oil prices predicted for the second half of the year. If that was the case, it could prove to be a "disaster," says Mr Leo Drollas of the Londonbased centre for global energy

Diplomats and analysts remain uncertain, however. whether the latest overture is

simply a short-term publicity

tactic to relieve domestic pres-sure on Mr Saddam.

Those who interpret it as mere manoeuvring to overcome short term pressures cite two recent developments. Jordan announced that it was to halve its exports to Iraq, estimated at about \$400m in 1995. That, says a western diplomat. will have a serious impact on Baghdad's business community, a group that has so far been "sheltered" from sanc-

mism that talks on Resolution 986 might soon take place has clearly boosted domestic economic confidence. Earlier this week the value of the Iraqi dinar rose strongly against the US dollar, a development that led to lower food prices in the capital's markets. It was the first time the dinar gained so much value in one week since sanctions were imposed in August 1990.

Diplomats say the government also released more food supplies in order to fuel the "feel good" factor in Baghdad. But the recent flurry of diplomatic activity could also mark a strategic shift on the part of Mr Saddam toward acceptance of Resolution 986. He is faced with a deteriorating economy and unrest among

This week's surge in opti-

some members of the ruling clique, including, say western

their privileges eroded.

"It is possible," said one western diplomat yesterday, "that Saddam wants to obtain concessions on 986, which he could then use as leverage for the lifting of sanctions."

British and American officials are adamant there can be no question of any amendments to the resolution. Nor, they say, can there be

any changes to the Security Council's requirement that a third of the proceeds go to a compensation fund for victims of Iraqi aggression. They will also stick to demands that the bulk of any oil exports flow to Turkey through Kurdish-held areas of northern Iraq. They will also require strict UN inspection of export volumes and purchase prices.

But there appears to be a number of peripheral issues which could be negotiated, some of which could substantially increase the amount of Iraqi oil which might reach world markets, even under a limited sales pro-

It is not clear, for example, whether the 60,000-70,000 b/d that is currently shipped legally to Jordan would form a part of the \$2bn ceiling. Western diplomats say flushing the Turkish pipeline of its diplomats, the Republican 27m barrels of crude oil might

Guards, who have seen some of be considered separately from the amounts authorised by Resolution 986. "That could be one concession," said a diplomat vesterday.

The pipeline has been idle since sanctions were imposed, but Iraqi and Turkish experts say it could quickly be rehabilitated.

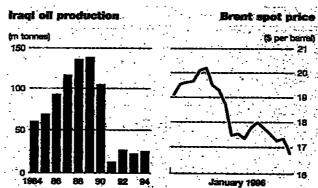
But any talks on such subjects are likely to be protracted, assuming that they even take place. The UN this week warned that negotiations "will be incredibly technical and therefore incredibly diffi-

The fact that no date or venue has been set has caused some speculation that Iraq might already be backtracking on last week's moves to discuss oil-for-aid terms. Diplomats concede that some

of the momentum for talks is coming from the UN, whose officials are worried that funding for operations in Iraq is drying up. Under Resolution 986 the UN's operations in Iraq would be underwritten by the oil sales. One sign of whether Iraq is genuine in its desire for talks will be the composition of its proposed delegation. If it is led by Mr Tario Aziz, the depbe a sign that he will be empowered to negotiate," said one diplomat vesterday.

Robert Corzine





IMF may rescue drugs-ridden Tajik economy

By Gillian Tett

International Monetary Fund officials in Tajikstan this week will decide whether to grant the troubled central Asian state a \$22m loan or allow the former Soviet republic to slide further into the drugs trade. If an IMF deal was signed soon, and rapid economic decline halted, then diplomats hope the mineral-rich republic of 5m people could be heading

towards stability However, if no agreement is reached and the economy continues to decline, there are fears - particularly among US officials - that parts of the republic could be taken over by the expanding drugs trade.

Soviet Union, the drugs business has grown rapidly, as heroin producers in Afghanistan have taken advantage of Tajikistan's instability and used it as a route towards the west. The cultivation of drugs in Tajikistan is also rising, and Tajik officials believe that the first processing laboratories

In the last year, the Tajik government has made its first serious attempt to reform the economy. It has opened negotiations with the IMF and introduced market reforms and its own currency.

have already been built.

There has also been progress towards political peace. Opposition groups, which fought the

talks with the government. The fighting on the Afghan Tajik border has died down.

These trends have yielded

some results. A British-Tajik joint venture has started a \$60m gold mining project, and other western mineral companies are looking at the republic's gold and silver resources. But in recent weeks the picture has begun to deteriorate. Peace talks between the opposition and government late last year broke down and diplo-

mats fear the fighting could Furthermore, an IMF agreement has been delayed amid

The IMF insists that if the currency is allowed to float, it

ex-communist government in the 1992 civil war, before fleeing to Afghanistan, have held signs that the Tajik government in the 1992 civil war, before fleeing to Afghanistan, have held some of its reforms. should eventually stabilise, as in neighbouring Kyrgyzstan, which introduced IMF reforms

One sticking point is the government budget. The republic has run budget deficits of between 10 and 30 per cent of gross domestic product in recent years, not least because a quarter of its income is spent on the military and security

Another issue is foreign exchange control. Although the government initially let its new currency - called the Tajik rouble - float in currency auctions last summer, it halted these when the currency's value started to collapse.

three years ago. Some Tajik officials are doubtful.

think an agreement will happen," says Mr Jamshed Karimov, Tajik prime minister. But privately, some accuse the IMF of "deceiving" them with the delay - and argue

that the impoverished state of the population means that it would be political suicide to pursue a full austerity programme. Meanwhile, political pres-

sures are mounting. Official

figures suggest that Tajiki-

stan's GDP is now less than 50

per cent a month, while many wages and benefits have not been paid. In public, Tajik officials remain optimistic. "I certainly Given this, it is not surprising that the drugs trade is

growing. Talik interior minis-try officials say that a kilo of opium is worth \$100 on the Afghan-Tajik border, \$650 in Dushanbe, and \$3,000 in Moscow. There is unlikely to be any

easy military solution to stop the trade, not least because the Tajik-Afghan border is 2000km long. Tajik officials accuse the Russian troops - who are supposed to be guarding the bor-der against smuggling - of

per cent of its Soviet level. Inflation is running at about 80

INTERNATIONAL NEWS DIGEST

Rwanda taxes aid agencies

Rwanda, which expelled more than 40 western aid agencies last month in a serious public relations setback, has slapped new taxes on some imports by the remaining agencies, foreign aid officials said yesterday. They said equipment worth hundreds of thousands of dollars was impounded by customs because of non-payment of taxes ranging from 70 per cent for

four-wheel-drive vehicles to 24 per cent for computers.

Mr Patrick Maximhaka, Rehabilitation Minister, who is seen as the engineer of December's heavy-handed expulsions, defended the new taxes and accused agencies of making political capital. He said that temporary tax exemptions for all foreign aid agencies had been suspended with immediate effect in January, excluding imports of material going towards development projects which remained tax-free.

The government, irritated with delays in western aid after 1994's genocide of up to 1m Tutsis and allied Hutus, has also started charging tens of thousands of dollars for handsets and radios used by aid workers to communicate, diplomats said. In a country where genocide survivors have not finished burying their dead and where average pay for government officials is less than \$70 a month, many people resent the lavish lifestyle of foreign aid workers.

E African leaders to co-operate

The leaders of Kenya, Uganda and Tanzania met in the Ugandan capital yesterday and agreed to renew efforts to revive their moribund economic grouping, said officials. Presidents Daniel arap Moi of Kenya, Benjamin Mkapa of Tanzania and Uganda's Yoweri Museveni said after talks in Kampala they would establish a secretariat to oversee the effort in two months' time. "All of them agreed that they must proceed with speed towards full economic, social and political co-operation," Mr Museveni's aide Ms Hope Kivengere said after the meeting.

Mistrust between Mr Moi and Mr Museveni have held back progress towards the revival of East African co-operation, under which the three states once shared economic services, research work and a common currency. Reuter, Kampala

Iranian fury over forgery claim Iran has said it would take legal action over a US television report that Tehran printed and distributed forged US \$100

bills, local newspapers said yesterday. An Iranian Central Bank statement, quoted by the daily Jomhuri Eslami, denied the ABC News report and said it would "take legal action against the sources of these false reports at international courts". It did not elaborate.

ABC News, quoting unnamed U.S. officials, reported on Tuesday that Iran was using its official government mint to counterfeit \$100 bills. The US State Department had no immediate comment on the ABC News report. Reuter. Teluran

Bahrain arrests more protesters

Bahrain says it has arrested another group of protesters in a widespread crackdown on anti-government activities and now holds 544 people. "The security forces have arrested an active group during their extensive measures to trace people involved in a subversive organisation," said the Interior Ministry statement late on Wednesday. It said the authorities now hold 544 people in connection with alleged sabotage and riots in several Shi'ite Moslem villages. Anti-government unrest erupted in December 1984 with mainly-Shia demands for jobs and the restoration of a parliament dissolved in 1975 by the Sunni-led government.

· Milke-III)

hatomy of a s

By Robert Taylor, Employment Editor

Britain's employers are growing increasingly confident they can boost the real wages of their workers through improved performance, without risking a return to the damaging wage inflation of the past, it emerged last night A number of important business figures railied behind the views of Mr Adair Turner, the new director-general of the Confederation of British Industry, who claimed yesterday the "old price/wage inflation link" had been broken. In his first speech on the economy as CBI director-general, he said he believed the "boom and bust" years that had made Britain uncompetitive in the 1970s and

years through damaging strikes and through double-digit wage deals and inflation rates. Mr Turner said the country's workforce was now "more competitive, flexible and innovative" with a "transformation" in attitudes to pay. His up-beat address to the Institute of Personnel and Development marks a significant shift in CBI thinking. He argued that pay rises above inflation need not be a problem if they came from productivity improvements and higher profitability. He had the full backing of the CBI's governing council for his

1980s were over. Competitive-

ness had suffered in those

remarks although the government may be less enthusiastic. Mr Graham McKenzie, head of the Engineering Employers' The opposition Labour party yesterday strengthened its commitment to a fundamental reform of pension provision, raising the possibility that it could create a new pension scheme partly run by the government. Mr Chris Smith, shadow social security secre tary, said he was considering "a funded second-tier pension scheme". Mr Smith, who has recently returned from a trip to the Far East and Australia, said there were "fundamentally important aspects" of Singapore's Central Provident Fund which "deserve consider-

Lex. Page 12

Federation, endorsed Mr Turner's speech: "Engineering companies are already giving not basic pay rises, but increases reflecting improved performance", he said. Mr Martin Taylor, chief executive of Barclays Bank, gave a cautious welcome. "We can't let wages rip and nobody has a job for life", he said. "But stability at work for employees and variable pay based on performance are benefits to business." Mr Turner urged companies to build on flexibility by deliv-

ering job security and the "mystical feel-good factor for individuals". A "significant fall" had taken place in the share of national income accounted for by wages and salaries from 66.55 per cent in 1991 to 62.5 per cent in 1994 with no growth in employees real earnings.

Big shake-up for cable TV men

industry continued yesterday with changes of role for execu-tives at three cable operators, Raymond Snoddy writes. Mr Alan Bates, the man responsible as chief executive for the flotation of Bell Cablemedia, accepted demotion and decided to stay on as managing direc-tor with responsibility for industry, governo ulatory issues.

Mr Alan Robinson, one of the pioneers of cable television in the UK and chairman and chief executive of Eurobell, has decided to sell the stake he holds in the company through his European Broadband Systems and leave.

Mr Wayne Gowan, chairman of the Cable Communications Association, the industry trade body, and the executive in charge of telecommunications at Comcast, has resigned. He is becoming vice-president in charge of telecommunications at TCI International, the inter- pre-eminent."

the world's largest cable operator. Because TCI is a programmer rather than a cable operator he will have to resign as CCA chairman.

Bell Cablemedia said yester day that Mr Dan Somers, who recently became executive chairman of what is the thirdlargest cable company, that he chief executive. He said he wanted to get closer to the operations.

"It is no secret that all of us in the cable industry here are not satisfied by our progress to date particularly in cable tele vision." Mr Somers said yesterday. He plans to put more emphasis on marketing to try to increase the number of sub

"I am sure Alan [Bates] is disappointed as any human being would be in his change of role but it is the best way for Bell Cablemedia to become

BMW offshoot's sales in Asia-Pacific region last year reached level four times higher than in 1993

Exports may boost Rover output by 10% this year

By John Griffiths in London

A steep rise in exports outside Europe has resulted in BMW's Rover subsidiary in Britain producing more than 500,000 vehicles last year. It was the first time that figure had been exceeded since 1989 and put the company on course to raise output by a further 10 per cent

Rover sales in the Asia-Pacific region excluding Japan leaped to 40,000 vehicles last

the level reached in 1993. Rover sold 23,000 vehicles last year in Japan, where it has become one of the leading importers.

North America was the other main growth market, where sales of the Land Rover subsidiary rose last year by 62 per cent to 21,000 vehicles. Land Rovers are the only Rover vehicles now sold in North America. In the UK, where the

year, which was four times the industry blames a lack of last year, to 501,300 vehicles. the level reached in 1993. consumer confidence for a World sales of Rover vehicles stagnant market, Rover's sales last year were stable at 248,000. But the company has nevertheless increased its workforce by 3,900 to 40,000 in recent months.

Mr John Towers, Rover chief executive, was in Singapore opening a new Rover distribution network yesterday while the company was releasing statistics showing a 4.6 per cent rise in total output rose last year by 2 per cent to 483,100, reflecting lack of growth in some important European markets outside Britain, Total exports outside Europe, however, were 38 per cent higher at 98,000 vehicles. The presence in Singapore of Mr Towers underlined the

determination of Rover and BMW to gain a strong foothold in the "tiger" economies of the Asia-Pacific region, which are expected to be the world's fastest-growing for new vehicles over the next

Mr Bernd Pischetsrieder. BMW's chairman, has made clear that it is Rover, not BMW, which will spearhead the group's sales drive into emerging markets.

Rover has added a total of 4,300 jobs since output began climbing strongly in 1993. However it is unlikely that there will be further

year as the workforce is now large enough to sustain output of 550,000 vehicles this

Job additions have not been confined to the shop floor. Several hundred engineers have been recruited for new model programmes and in relation to Rover's own engine production in which the company is filling a gap once met by its former Japanese

Lawyer masterminded multi-million dollar fraud

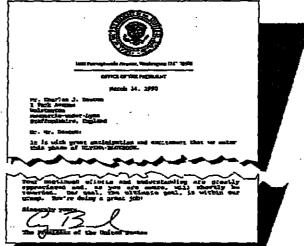
Charles Deacon is a changed man since fraud charges were first brought against him in 1993. Standing in the dock in a London court yesterday, he looked grey and gaunt, smiling weakly at his family as he was led down to the cells. Three years ago, the Staf-fordshire lawyer was rounder and plumper; confident that he would be found innocent. Since

then, it has become clear that he was the mastermind of a multi-million dollar fraud - a scam which he falsely claimed had the support of the Central Intelligence Agency and the former US president. Mr George Bush.
Police estimate that \$32m

was paid to Deacon by individuals and companies around the world as part of the frand, although some was eventually repaid. Deacon had his accomplices, and yesterday Keith James Fuller was also sentenced to prison. Yet a third man was also crucial: John Savage, who falsely claimed to be a secret agent for the CIA and a deputy director of the agency's European operations. Projects Bluebook and Ultima were the code names for so-called covert CIA operations to unlock billions of dollars for the US government, and which subsequently could be used to fund loans to Deacon's victims at advantageous rates in return for advance payments.

Project Ultima's aim was to help the CIA retrieve some \$680bn held in dormant accounts at seven Swiss banks. The CIA was said to be seeking to use those dollars in bolsterng Russia's transition from Communism. Yet the CIA. so the story went, could not use Congressional funds for such a covert operation. Deacon and Fuller claimed to be helping CIA agent Savage raise the funds from alternative sources. So they approached individuals and businesses, promising that in return for their help they would get a share of the \$680bn

Bluebook involved the release of \$49.2bn in gold and cash allegedly secreted by the former ruler of the Philippines, Ferdinand Marcos. Victims



This letter allegedly from George Bush is a forgery

Mr Charles Deacon, a lawyer and Mr James Puller, a business consultant, were jailed yesterday for a total of 16 years. Victims of their activities included Belling, the former cooker manufacturer. which paid £2.5m from pension fund assets in return for a \$50m loan to the company which never materialised. Belling went into liquidation soon afterwards. Sentencing Mr Deacon to nine years' imprisonment and Mr James Fuller to seven, Judge Fabian Byans said: "The sums of money involved in this case have been quite staggering and have been matched only by the enormity of the lies which you both told."

would relinquish its claims over some of the Marcos billions and the gold, in return ing it. The CIA then intended to use the gold to support the rouble. The aim was to transform the rouble into an international currency. Again. "investors" could expect substantial payments in return for their financial help.

Fuller drummed up business in Europe and the Far East with such stories. When he was arrested on arrival at Heathrow in 1993, police discovered in his briefcase photographs of a \$5bn note, used to convince targets of the stories'

validity. The accomplices also used

letters said to be from the CIA and President George Bush. In one addressed to Deacon, President Bush supposedly verifies the existence of the Ultima and Bluebook projects. The letter quotes a speech by John F Kennedy: "The energy, the faith, the devotion which we bring to this endeavour will light our countries and all who serve them . . . " The letter, like another signed by John Savage as a CIA agent, is a forgery. There were also forged letters from National Westmin ster Bank claiming that a company controlled by Deacon and Savage would receive a payment of \$750m to provide loan facilities.

Deacon legitimised the operation. He gave his lawyer's undertaking to keep the advance payments in a client account, pending arrival of the funds. Yet, often within hours, Deacon went down yesterday claiming still to believe that the transactions were part of a CIA operation through its agent, Savage. Yet his claims were denied by the very man who might have been expected give him support.

From his deathbed in Colorado in 1994, Savage, who was dying of cancer, admitted his guilt. "Hours before he died, he vehemently denied he had ever been connected with the CIA. says Detective Inspector Bill Hulse, who led the Staffordshire police investigation, with UK NEWS DIGEST

US company fined heavily

GATX Terminals, a US-owned fuel storage company, was fined a total of £150,000 (\$226,500) in a prosecution brought by the Health & Safety Executive after a fire at the company's Avonmouth depot near Bristol in south-west England. A worker died in the fire. It was one of the largest fines imposed under English health-and-safety legislation. The company admitted two charges at a Bristol court and was fined £75,000 on each of them and ordered to pay a total of £20,000 in costs. The company said it had been the first accident in its 23 years at Avonmouth. Changes had been

. Roland Adburgham, Bristol

Decision today on Maxwell prosecutions

The Serious Fraud Office will announce today whether it is to go ahead with further prosec tions over the Maxwell affair. Mr Kevin Maxwell, his brother Mr Ian Maxwell and Mr Larry Trachtenberg, a former adviser to Robert Maxwell, were all acquitted last week of conspiring to defraud the Maxwell pension funds. Mr Kevin Maxwell and his brother are sons of Robert Maxwell, the publishing tycoon who died in 1991. They and Mr Trachtenberg still face outstanding charges, mainly of conspiracy to defraud, over the collapse of the Maxwell empire. Mr Kevin Maxwell faces six charges, Mr Trachtenberg three and Mr Ian Maxwell one. Three other former Maxwell directors also face charges of conspiracy to defraud.

John Mason, Law Courts Correspondent

Online libel prompts call for reform of law

Britain should rewrite its libel laws to clarify the position of consumer online services which inadvertently carry defamatory statements. the government has been told. Three of the leading consumer online information services CompuServe. Europe Online and Microsoft. have urged the government to define the legal reform of the UK's libel laws.

Responsibility for defamatory statements carried by online services or the Internet is one of a number of "grey" legal areas which have arisen as a result of the recent rapid growth of electronic online services, the Internet and other "new media". The three companies pointed out that online service providers typically cannot control the content of e-mail and other messages that users send. The online service providers believe that they should not be held responsible for libellous statements made on-line unless the service provider has reasonable notice that a libellous statement has been sent onto its system and has "the ability and the authority to prevent its publication, but fails to do so within a

reasonable time"

Paul Taylor, Industrial Staff

Siebe to recruit extra engineers as orders rise

Siebe, the international controls and appliances manufacturer, announced plans to recruit 350 additional engineers after winning orders worth £50m (\$76m). The company said 100 of the engineers would be recruited in the UK, with the remainder employed in the US and Far East. Of the engineers recruited in Britain, 80 are expected to work on industrial automation systems ordered by Dow Corning, the US silicon manufacturer which is expanding its production facilities in south Wales. The recruitment drive has been stepped up following further orders from companies such as Air Liquide, BASF and Total in Europe; the Virginia Fibre Corporation in the US; and the Gas Authority of India.

Tim Burt, Financial Staff

Number of big prizes in Lottery rival to increase

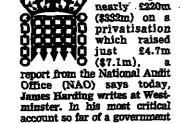
National Savings, the government department that runs the monthly Premium Bonds draw, is to increase the number of prizes of up to £100,000 (\$151,000) in a move that will make the bonds a more effective competitor to the National Lottery. However, in a move that will please critics of the lottery's multimillion pound prizes, the department has stopped short of increasing the number of £1m winners each month. Premium bonds have risen in popularity since the lottery was introduced in November 1994, partly because players can get recover their stake even if they lose. The new prize system could increase pressure on football pools and other forms of gambling. Martin MacConnol Lex, Page 17

Asvium concern: Dr George Carey, arch. bishop of Canterbury and chief churchman in the Protestant Church of England, and Cardinal Basil Hume, archbishop of Westminster, told Mr Peter Lilley, social security secretary, they were uneasy about plans to cut state benefits to asylum-seekers. It is estimated that measures due to come into effect soon will affect up to 50,000 people a year seeking refuge

Speeding centenery: Sunday marks the centenary of the first speeding fine in Britain, said ine Autoi from south London was convicted for driving at 8 miles an hour (18kph) in a 2 miles an hour (3kph) zone. Today about 600,000 drivers a year are caught speeding in Britain.

Manager suspended: A security manager working on the Newbury bypass scheme was suspended after allegations that recruits to his team were encouraged to use violence against protesters who are trying to prevent trees being cleared on the site. The manager is said to have told recruits including a newspaper journalist posing as a Frenchman: "Anything in the trees you whack". Dozens of protesters are opposing the bypass 90km west of London on the A34 road from the port of Southampton to the English Midlands.

Anatomy of a sell-off: \$332m spent and \$7m recovered



privatisation, Sir John Bourn,

Ministers spent "most unusual". The report nearly £220m calculates that the fees to the government's advisers were more than three times the proceeds of the sale and questions the wisdom of selling rather than simply closing the

ment, which managed the sale of the agency which used to carry out government building work, yesterday stood by what the auditor-general, describes it called a "successful privati-handling of the sale of the sation." "We are pleased to Property Services Agency as note that the companies have

try official said.

The environment depart-

The decision to sell PSA ser-

vices, which faced chronic redundancy problems after the government started contracting out all its building work in 1988, was taken the following year by Mr Chris Patten, who was then environment secretary. Mr Patten is now governor of Hong Kong. The grounds for privatisa-

some of the redundancy costs

closing the PSA. However, the report suggests that the closure costs were "overstated". In what one official acknowledged was "a barbed criticism" of Mr Patten's decision to privatise, Sir John said "the NAO were unable to conclude whether each sale took place at

a cost less than that of clo-The PSA was broken in 1993 tion were that transferring into five regional companies in preparation for the sale by Mr

The sale eventually earned

the Treasury only \$4.7m even though the PSA was expecting profits of £33.4m in the coming year and had contracts from Ministry of Defence worth £400m over the following five

The buyers of the PSA were granted deferred payment terms, "effectively providing loans to purchasers," said the NAO. The one exception was W.S. Atkins, which acquired

all been operating successfully to the buyers of the business David Curry, then junior envi-since privatisation," one minis- would be less expensive than ronment minister. the Manchester division, and was paid £11.5m by the enviwas paid £11.5m by the environment department to "buy" the husine

"The National Audit Office consider this was an unusual way of effecting a sale," the report concludes.

The report points out that redundancy costs under the Civil Service scheme were particularly high. Of the redundancy liabilities, £51m was transferred to the private sector and £133.5m was paid by

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Accountance Biggest British firms are frustrated by differing national rules in areas such as auditing

Profession becomes testbed for Gatt liberalisation

By Jim Kelly Accountancy Correspondent

Ambassador Leonora Saurel, the El Salvadorean envoy to the Uruguay round of the General Agreement on Tariffs and Trade (Gatt) has spent the week touring the offices of the "great and good" in British accounting. They discussed liberalisation of professional services across international borders, with accounting as the first such profession to be set free.

Last summer in Geneva, the working party on professional services held its first formal meeting since the foundation of the World Trade Organisation, its parent body, six months earlier. The Uruguay Round of Gatt had agreed at US and European insistence that multilateral trade rules should include services, which should be given a similar freedom of movement to goods. The working party is dedicated to removing barriers to the provision of cross-border professional

The working party has taken the accountancy profession as its testbed. Ambassador Saurel, who retains her ambassadorial status in her new role, is the working party chairman. This week she was in the UK at the invitation of its accounting profession. There is some concern at the lack of

urgency which appears to have gripped the working party. Professor Peter Walton of the University of Geneva is a keen observer of the party's work. "I am not sure that anyone fully understands the possible conse-quences of cross-border liberalisation. so it is hardly surprising that the WTO working party is approaching the subject with all the enthusiasm of a lobster watching the chef boil

water," he says. Mr John Heggarty, head of the Féd-ération des Experts Comptables Europeens (FEE), the umbrella body for European accountants, also has concerns: "We remain convinced that the working party has the capacity to achieve greater liberalisation. We recognise the difficulties of getting started, but we remain hopeful con-

crete progress can be made in the near future." Ambassador Saurel last called the working party to-order earlier this 15. The last meeting set out a list of subjects to be addressed in any model agreement, and asked for further information on professional qualifications in developing countries. The repeated requests for more information which worry some observers.

The working party has at least agreed a list of issues to be addressed. These include tackling the barriers which can prevent accountants practising across borders, such as the mutual recognition of qualifications; minimum periods for post-qualification experience; and minimum educational requirements. Others include relationships between local professional bodies, the use of the accounting code set out by the London-based International Accounting Standards Committee and an investigation of the way in which professional liabil-

practice. Some countries wish to get to grips with the issues while others want to illustrate just how difficult the task may be. Australia, Canada, Japan, Switzerland, Turkey and the US have

ity would be affected by cross-border

all put forward proposals on urgent issues to be addressed.

The US, for example, wanted to discuss restrictions on foreign ownership and differing ethical codes on advertising and competitive fees. The EU, which speaks for the member states at the working party, has yet to deliver its paper. Some observers deduce a lack of agreement behind

the scenes.

Several WTO member countries have shown an outright lack of enthusiasm to grasp the nettle of reform. With less to gain, and underdeveloped domestic accountancy services, they have taken an understandable interest in taking a slightly cooler look at the proposed reforms. In Japan, for example, there appears to be anxiety that domestic firms might fall prey to acquisitive competitors from over-

Britain's "Big Six" firms will see many benefits in harmonisation. They are frustrated now by differing national rules in areas such as auditing. Italy's tradition of rotating anditors, for example, is seen as a significant problem, as are French harmonisation.

work on the same set of accounts. Liability is a more difficult issue. At the moment each national firm of accountants believes itself largely protected from legal actions taken against sister firms in other countries. But as the "Big Six" struggle to portray themselves as global organisations, these firewalls may one day he in danger of being breached.

It would be too much to expect the

working party to offer an answer to the liability problem along with everything else. The Big Six must hope that efforts to reform the law of liability in various states will eventually make it pointless for any litigant to shop around for the most beneficial jurisdiction in which to sue.

There is plenty of support for Ambassador Saurel's project in the UK. Her trip to Landon took in visits to the Accounting Standards Board, the International Accounting Standards Committee, and the Institute of Chartered Accountants in England and Wales - one of the bodies which has helped push forward the issue of

The human element is often overlooked in the heat of bid battle, says Vanessa Houlder

People power

Forte, usually end in euphoria for the winning side. But veterans of acquisitions are well aware that an initial triumph can turn into a pyrrhic victory.

There is a "remarkable consensus" that fewer than half of all acquisitions can be considered successful, according to research by the Economist Intelligence Unit entitled Making Acquisitions Work*, published today.

Studies of failed mergers and acquisitions usually focus on financial strategic and business factors. Relatively little attention is often paid to cultural and human problems. Yet these issues which emerge during the implementation phase of a merger can scupper an otherwise promising deal.

"Unless the human element is managed carefully, there is a serious risk of losing the financial and business advantages which the acquisition could bring to the parent company," concluded a study of the role that the "human factor" played in 40 acquisitions in the US and UK in the 1980s by the London Business School and Egon Zehnder International, consultants.

The latest offering from the EIU concurs. "The major problems in the ongoing implementation phase usually concern human difficulties thrown up by the merger process.' It outlines a number of integration rules employed by accomplished acquirers: "plan first, implement quickly, communicate frankly and act correctly". A company that is insensitive in the way that it treats people will store up problems for

future acquisitions. Given that the vast majority of acquisitions are friendly and the target company is freely open to inspection and discussion, thorough pre-acquisition planning is usually possible. But in many cases it is still a cursory affair that overlooks non-financial issues. In the LBS study, for example, all the buyers conducted financial audits of the

arathon takeover bat- acquired companies before they tles, such as that bought them. But only 37 per cent between Granada and carried out a management or personnel audit. Even that figure was considerably overstated, because many of the audits were limited to pensions, salary levels and general personnel policies, covering just the top levels in the company.

Concern about the low priority given to personnel issues when an acquisition is evaluated is shared by consultants. "In a situation that demands and gets, detailed audits of equipment, property, finances and IT systems, the one asset that appears to be overlooked is people," says Bridget Skelton of PA Consult ing Group. The risk of damage to morale, performance and culture is

great, she thinks.

People in Business, a communications consultant, argues that a proper asset valuation should include information on recruitment and retention, assessment of the performance of key managers and its culture, values and behaviour.

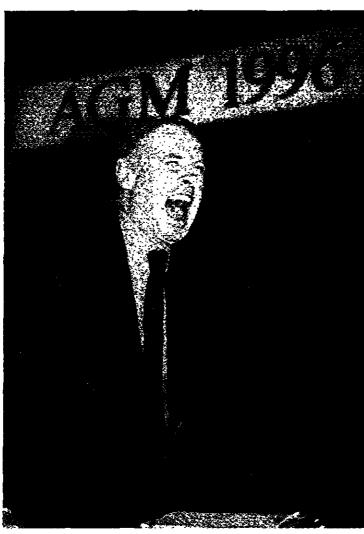
Issues surrounding post acquisition personnel strategy were examined by senior personnel directors, corporate financiers and fund managers at a seminar organised by People in Business last year. All three groups were held, to

some extent, responsible for the low priority given to human resources. The fund management industry came under fire for its narrow emphasis on financial measures in determining a bid. Paul Manduca, chief executive of

Threadneedle Asset Management, points out that few fund managers pretend to be experts on manage-"Most fund managers and corpo-

rate financiers have never worked in industry. They may know these businesses well but they actually don't know what the opportunities and problems are," he says.

But Andrew Lambert, managing director of People in Business, takes a contrary view. "A fund manager should be looking ahead to where the business is going in a much more inquiring way. This will, in



Will Gerry Robinson have the last laugh? Initial triumph can turn into pyrrhic victory

turn, raise the ante for management teams, who will be under more pressure to plan and manage thoroughly, and treat people issues in a less cavalier fashion than too often seems to be the case."

Corporate financiers were also criticised for dominating the dealmaking process and limiting access to other professionals. "What they [corporate financiers] need to do in the future is to include a wider array of professions to bring other necessary skills to bear," says Michael Robinson, director of human resources at Henderson Administration (the fund management group which took over Touche Remnant) .

Nick Dillon, a director of corporate finance at Robert Fleming, agrees that there is a need for better analysis of some issues that involve human resources. Acquiring companies need to be more realistic about plans to squeeze costs and more careful about assessing the impact that those savings will have on turnover.

But he argues that it is up to the human resources directors to show the importance of their role.

A central problem may be an image one. "Given that HR is traditionally regarded as 'warm and fuzzy', it is even more difficult for the HR function to ensure that it has a seat at the table," says Robinson. It is, he concludes, important for human resources specialists to demonstrate that they have the commercial nous to be involved in the M&A team.

Participants in the seminar acknowledged that they could be accused of special pleading. But the idea that an earlier and more careful examination of the people and cultural issues would help improve the success of acquisitions seems

Financial and business criteria provide the necessary, but not sufficient preconditions for a successful acquisition, according to the London Business School study. Once the company has been acquired, it is then almost entirely dependent upon its people to make it live up to *Available from EIU, 15 Regent Street, London SWIY 4LR. Price

JOHN KAY

Poor odds on the takeover lottery

ing companies today, such as ICI

four great merger booms in Britain this century. The first followed the development of mass production techniques which increased the effiand firms. Many of Britain's lead-

wave of mergers which followed. The next was in the 1960s, when concentration at home was seen as a response to growing competition overseas. It rarely was, and few of the companies created then - such as British Leyland or ICL - enjoyed the success their promoters had looked for.

and Unilever, are products of the

The aftermath of those years ttself developed to the theme of the 1980s' merger boom. The issue was no longer size and scale, or the development of national champions; it was releasing value. A different management team could make more of the same assets. whether through acquisition or buyout. Hostile bids, unknown before the 1960s and rare even then, became routine - Burtons bought Debenhams, Guinness won Distillers, Sir James Goldsmith failed to take BAT.

But for the mergers and acquisitions of the 1990s, the argument is different yet again. The emphasis is on partnerships and alliances, inte-gration and related diversifications, on industry restructuring. Strategic logic is the key buzz

The reasons for mergers may vary, but the response remains the same. And you need only look at the grin on Gerry Robinson's face to see why. For the modern manager, only acquisition reproduces the thrill of the chase, the adventures of military strategy. There is the buzz that comes from the latenight meetings in merchant banks. the morning conference calls with advisers to plan strategy. Nothing else puts your picture and your pronouncements on the front page. nothing else offers so easy a way to expand your empire and emphasise your role.

But does this have much to do with business? The intellectual case for this type of merger and acquisition activity was developed by American lawvers and finance

for corporate control". In this market, the right to manage corporations was a commodity for sale to the highest bidder, and as in any other market this process led resources to be deployed in the most efficient of all possible ways. Yet there are at least two reasons

why the analogy between the market for corporate control and the market for other goods and services does not really apply. One of the attractions of competitive markets is the pressure they create for gradual improvement and gradual correction. If your product is good, you gain market share, and that stimulates others to follow; if it is not, you lose market share and there is an immediate, and

Successful bidders are often only the people who were willing to pay too much. At the same time, good buys may be ignored because there is no way the potential purchaser can be confident that he really is making a good buy

growing, need to respond.

The market for corporate control is not like that at all. Control, unlike market share, is an all or nothing business. So Distillers could wallow in complacency for 30 years until, in 1986, everything changed. There is no chance as there is in the detergent market to buy a bit more of Gerry, a little less of Rocco, and see how it works out; suddenly, and abruptly, Rocco is out and Gerry is in. The evolutionary process of the competitive market is replaced by the cataclysmic upheavals of the takeover process.

And that leads to the second important difference. Markets work best when there is symmetric information - when buyers and sellers are more or less equally well-informed about what it is they trade. The markets for used cars

There have been economists in the mid-1960s, who and life insurance never seem to created the concept of "the market work as well as they should - they are archetypes of asymmetric information. And so is the market for corporate control. Incumbent management always knows more about what is for sale than the potential purchaser. Even the worst of managers is better informed about his business than someone who has never been inside it.

And that is why, like used car trading, the market in second-hand companies is rarely efficient. Successful bidders are often only the people who were willing to pay too much - that is the reason why their bid succeeds. At the same time, good buys may be ignored because there is no way the potential purchaser can be confident that he really is making a good buy.

So companies get taken over that should stay independent, and companies stay independent that should be acquired. The largely random incidence of the takeover process means that it is very far from being the source of corporate accountability and effective discipline on management behaviour that the textbook model of the market for corporate control suggests.

And that is why the success record of acquisition activity, taken as a whole, is such a disappointing one. There are several ways in which the results can be assessed. Stock market studies show that. while takeovers certainly benefit owners of the acquired company, they do little for the acquirer.

Analyses of pre- and post-merger profitability fail to come up with net gains. Corporate histories show that companies divest a high proportion of what they buy, And the simple subjective test of asking firms whether they thought their purchases had or had not been successful comes up with no more than a 50/50 response.

There are particular acquisitions which have yielded indisputable benefits - such as the transformation of Distillers, or some of the under-managed companies bought by Hanson. An activity can be unprofitable on average and yet produce many individual successes. The national lottery is built on just such a principle. As Camelot reminds us each week, it could be you. But mostly it isn't.

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Tourism in the areas that these enterprises will operate. Particular importance will be placed on the creation of special tourist Infrastructure installations and projects, that will attract high level tourists to Greece, as for example, Conference Tourism, Winter Tourism and Marine Tourism.

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in the last Budget. The Treasury, ignoring government pledges that the additional money coming to the arts from the National Lottery would not be used as an excuse to reduce core funding, pushed through a 2.7 per cent reduction in the ACE budget, to

So appalled was Lord Gowrie that he refused to distribute his grant among the council's 170 clients and called for talks with Virginia Bottomley, the heritage min-ister. Yesterday Lord Gowrie announced that an additional £4.3m was available for the arts, to take account of the greater admin-

Small victory in battle over lottery

Antony Thorncroft on who gets what from the latest Arts Council grants

istrative costs the ACE carries in supervising lottery applications.

The ACE has also released £1m from its contingency fund. The result is that most of the council's clients, from the Royal Opera House Covent Garden with its £15m to the Notting Hill carnival

bands with £100,000, will receive stand-still grants for 1996-97. For most arts companies this will be the fourth successive year of frozen funding, which amounts to an 8 per cent decline in their grant in real terms. The ACE has recognised that some companies are in dire peril, and has given additional money. The main beneficiary is the Donmar Warehouse in Covent Gersive creative reputation, was near to closing after the withdrawal of its sponsorship funding. It receives a one-off grant of £150,000 from the

Other companies to gain are the City of Birmingham Symphony Orchestra, which gets £75,000 more at £1.22m, and the Bournemouth Orchestras, up £75,000 to £1.66m. There are also small rises for the LSO, the LPO and the Philharmonia in London, and the Northern Sinfonia, reflecting the difficult financial climate for orches-

The council has developed national strategies for music and dance and they benefit more than drama from the limited sum available for extra funding. English Touring Opera receives £75,000 more and there are grants for chamber orchestras such as City of London Stnfonia, Sinfonia 21, the London Mozart Players and the Orchestra of St Johns. Among the dance companies, Siobhan Davies receives a rise of more than 45 per cent to £226,000, and there is £100,000 available to promote

dance in London. "This is a rescue operation that cannot be done again," Allen said yesterday. Next year the ACE faces another reduction in its basic grant. But by next year the £300m which the arts receives in lottery funding should be making an

The most significant and encour-aging news for the arts came on Monday when the heritage minister announced more flexibility in the use of lottery money.

In theory it can still go only towards capital rather than revenue projects. But these have been widened to include the cost of artistic commissions, grants to talented young arts performers and to increase access to the arts among the young and pensioners through subsidised ticket prices. It also includes a stabilisation fund which will give one-off grants to enable arts companies to push through strategic changes that will improve their financial situation. It is possible that within a year

the ACE will be distributing around £50m of lottery money to applicants in these areas. So theatres keen to commission new plays, orchestras seeking to perform to capacity houses, and arts educa-tional projects could be attached to a substantial cash life-line by next

There should also be some signs of the gains to revenue funding which follow from the new capital projects funded by the lottery, from better seating, to computerised box offices, to shops and bars.

The impact of the lottery on the arts, however, is slower than anticompact of the lottery on the arts, however, is slower than anticompact of the lottery on the arts, however, is slower than anticompact of the lottery of the lotte

ipated. Allen said that although the Arts Lottery Board had committed around £250m to successful appli-

cants, only £16m had actually been handed over. There were still problems about matching funding and ensuring that proposed schemes were financially water tight.

"This is not good news but an account of an aversion of disaster," Lord Gowrie said. "We are going into battle already to prevent a fur-ther cut next year." But it is unlikely that Bottomley, or her successor, will be quite so amenable about re-assessing the grant next

By then the hope must be that the money coming into the arts through the lottery will be starting to transform the UK into the cultural dynamo of the world.

As Lord Gowrle pointed out ye fellows in the media and tourism, is already the third biggest industry in the UK, the hope for the future for many former industrial

When the bat met a bright butterfly

Paul Betts visits the Frick to find an exhibition celebrating the 19th-century dandy centred on one of Whistler's most famous paintings

eeling somewhat mauve after a long transatlantic flight, I revisited this week The Frick Collection in Manhattan to restore my spirits and stumbled on to an enchanting little exhibition devoted to the Mauve Decade in France, England and Amer-

Called The Butterfly and the Bat, the show is based around one of the Frick's famous paintings: the portrait Arrangement in Black and Gold". The painting is a depiction of the fin-de-siècle French poet, boulevardier and supreme dandy Count Robert de Montesquiou by the equally dandy American expatriate artist James McNeill Whistler.

The butterfly refers to the familiar insignia Whistler used to sign his works, reflecting the artist's aesthetic credo of delighting with the beauty of his art. However, he also added on occasion a stinging scorpion's tail to his butterflies. reflecting his dark side.

The bat was adopted by Montesquiou as his personal emblem together with the blue hydrangea because, in his own words: "I felt this refractory plant associated with this rebellious bird would dominate my life, because the two together would make use of me, for the one, in its abnormal azure blue, and the other, in its colourless anxiety ... represent the double sign of the joining of Dissimilarity and of Melancholy . . . "

TIM!

The small exhibition, scattered around five galleries in the Frick's Fifth Avenue mansion, examines the wider context of Whistler's portrait, using the picture as the basis of a broader sociological survey of the attitudes and style

of an age. This is reinforced by the show's catalogue which is an illustrated social history by Edgar Munhall, the Frick's curator, of the fin-de-siècle



P. Helleu's 'Portrait of Whistler' 1897

world of grand aristocrats and upper bohemia, of salons and art studios.

Munhall organised a similar exhibition 10 years ago and sism is not, as many unreflectwrote a book around another great painting in The Frick Collection, the portrait of Comtesse d'Haussonville by Ingres.

The aristocratic pursuit of displeasing' mission

This exhibition was part of a growing trend of using a single work of art as the basis of a broader social and historical

In the case of The Butterfly and the Bat, the exhibition portrays the world of the 19th-century dandy through paintings, letters, furniture and othermemorabilia connected with Whistler-Montesquiou

Thus one of the galleries is devoted to an exhibit of clothes and accessories favoured by the dandy, including a copy of the Chinchilla cape - made specially for the show by Revillon of New York - which the languid figure of Montesquiou carries over his arm in the Whistler portrait.

The cape belonged to the Comtesse Greffulbe, the reigning queen of Parisian society at the time, a life-long confidant of the Count and considered the most beautiful woman in Europe by Proust.

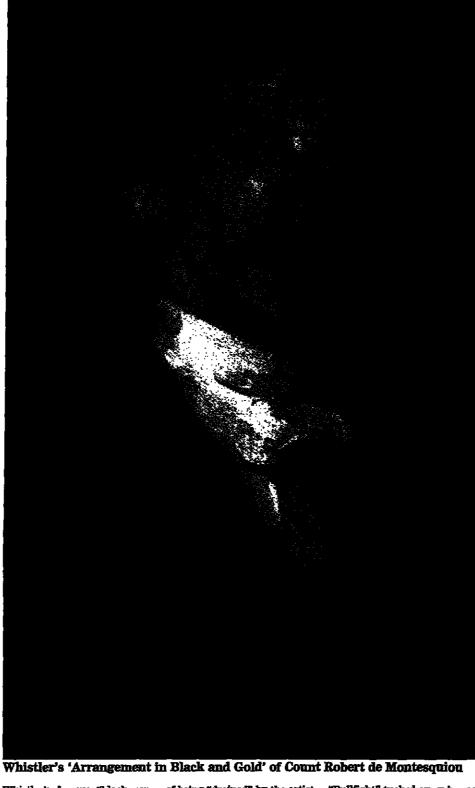
Proust used the dandy Count and the Comtesse as models for characters in his A la recherche du temps perdu.

For Montesquiou the nature of his clothing was only a man-ifestation of his aesthetic preoccupations, whether it be his handwriting, the decoration of his homes or the binding of his books. The exhibition underlines all this, echoing Bandelaire's definition that "Dandying people seem to believe, an immoderate taste for dress and material elegance. Those things for the perfect dandy are only a symbol of the aristocratic superiority of his mind and the only exercises proper

and the only exercises proper for strengthening the will and disciplining the soul." Baudelaire – a dandy himself for a short while – went on to say that for the dandy "the aristocratic pursuit of displeas-ing" was a mission. And certainly both Montesquiou and Whistler, to a lesser extent. were out to unsettle and provoke by using their armoury of wit, costume and artistic

Whistler's portrait of Montesquiou was no exception. From the beginning it excited scandal and controversy.

The present show will contime to have an impact well after it closes thanks to Munhall's enlightening study. Anybody who will have seen it or read the book will look upon



Whistler's famous "black portrait" with a more understanding eye and perhaps re-assess the conventional view that dandyism is simply a frivolous

It may well be so but there is nothing frivolous about Whistler's "Arrangement in Black and Gold". Whistler was quite obsessive about his portraits and tyrannical with his subjects. Montesquiou complained

Tel: 34-1-4354240

MILAN

THEATRE

Tom Wesselmann: retrospective exhibition devoted to the North

American Pop artist. His preference

of drawing in his work, and the

of the constant features in the

for the big format, the important role

exaltation of everyday life are some

Wesselman's art. The display includes some 90 works; from Feb 2

Teatro Carcano Tel: 39-2-55181377

Uno, Nessuno e Centimila: by

Luigi Pirandello. Directed by Marco Mattolini and performed by the

Teatro Carcano. The cast includes

Montandon; 9pm, Sun 3.30pm; from Jan 30 to Feb 18 (not Mon)

Flavio Bucchi, Claudio Angelini,

Stefania Barca and Pietro

of being "drained" by the artist during the long posing ses-sions. But he also recalled in corner behind the palms. his memoirs the "most beautiful" phrase ever spoken by a

look forever". The great portrait will continue to hang in the Frick's Oval room past the garden court with its fountain and spitting frogs and Manet's

instant longer, and you will

"Bullfight" tucked away in one

Whistler and Montesquiou, The Butterfly and the Bat, by Edgar Munhall, published by The Frick Collection/ Flamma-rion (\$45 hardback, 175 pages). The Frick Collection, 1 East 70th Street, New York, NY. The exhibition runs until Sunday, January 28: Flammarion, 26, rue Racine, 75006 Paris.

Music / Adrian Jack

Beethoven cycle

through Beethoven's complete string quartets at the Wigmore Hall, London has been offered another cycle by the Emerson String Quartet.
Unlike the British players,

the American Emersons are playing the quartets in some-thing closer to their chronology. In each of the first three concerts, they have included two of the Opus 18 set and one of the "Rasumovsky" Quartets. Opus S9, and in the opening programme we had the third and first of Opus 18 and the first "Rasumovsky".

If a less than capacity audience for these fine players suggested people thought the earlier works of slighter interest, it was a pity. And there was ample contrast between the skining and lyrical D major quartet, Opus 18 no 3, and the gruffer, more muscular F major work which comes first in the set.

These are rough generalisations with which anyone might take issue, for the F major Quartet has the more serious and expressive slow movement, whose most intense passage at the end the Emersons charged with such voltage that we hardly dared breathe.

The players arranged themselves, after the American fashion, with the viola player on the audience's right and the cellist between him and the two violinists. The outermost players sat three-quarters facing the front, emphasising that this was a public performance among themselves. In both Opus 18 works, Philip Setzer 7.45pm.

arely a week after the Lindsay Quartet completed their trawl took first violin and appeared very much to lead, In the first "Rasumovsky" Setzer switched places with Eugene Drucker. Drucker seemed the less forceful player, yet it was hard to tell, for if he had seemed a shade discreet in Opus 18, here he was pushed, it seemed, to his limits and his brow was wet by the end. He did well - and better than well - as did the whole quar-

> The viola player was commanding, not encumbered by any of the awkwardness under which the instrument sometimes labours, and the cellist had a big and lovely sound – the whole instrument resonated with surprising immediacy, as if of its own accord.

In the first "Rasumovsky there was the usual unfocused tuning on the penultimate note of the opening phrase, both when he introduced it and again when all the players restated it near the end of the movement; but there was little curdled intonation apart from that, or garbled rhythms hardly grounds for quibbling in what were not so much "interpretations" as absorbing experiences.

There is a prejudice that match with expressive depth, as if to say that you have to be a bit scratchy and ragged to be profound. The Emersons showed that Beethoven can be played with polish and not seem superficial.

Further concerts in the cycle at the Queen Elizabeth Hall: as well as a conversation tonight, January 28, January 30, February 1 and 2. All at

NPG goes for cash

he National Portrait extra space. In return, the NG Gallery this week made its £10m bid for lottery cash. It is applying to the Heritage Lottery Board for support in a planned £14m re-development. This is designed to refashion its entrance hall; install an escalator to transport visitors to the under-visited top floors; create a roof-top cafe with panoramic views; and build a lecture theatre

The most interesting feature of the plan is the co-operation with the adjacent National Galleay. The NG's director, Neil MacGregor, has agreed to walve his right to ancient lights over the courtyard between the two galleries, which will provide much of the

will gain a row of narrow gal-leries in the NPG overlooking St Martin's Place, which it will use to show small paintings. If the scheme goes abead

there will be extra space to show 150 more paintings, concentrating on the Tudor period. The NPG displays 1,350 works from a collection totalling 9,500 portraits. In 1993 the NPG completed a £12m development, adding a library and offices and freed up space for the popular 20th-century gallery.

The architects are Jeremy Dixon and Edward Jones, and if all goes to plan the bigger and better gallery will be ready by January 2000.

A.T.

INTERNATIONAL **AMSTERDAM**

el: 31-20-5730573 Koninklijk Concertgebouworkest: ith conductor Hans Vonk, the ederlands Kamerkoor and tenor aurence Dale perform Debussy's Trois Noctumes", Escher's "Univers ∋ Rimbaud" and R. Schumann's Symphony No.4"; 8.15pm; Jan 31;

1 BERLIN

ONCERT al: 49-30-203092100/01 Sinfonieorchester der Hochschule r Musik 'Hanns Eisler' Berlin: with anductor Alun Francis and m-player Katja Thierbach perform orks by Prokofiev, Strauss and ravinsky; 8pm; Jan 31 ıilharmonie & Kammermusiksaal 1: 49-30-254880 Grigori Sokolov: the planist rforms preludes and fugues from 5. Bach's "Das Wohltemperlerte

avier", Chopin's "4 Noctumes"

and Stravinsky's "Petrushka"; 8pm; OPERA & OPERETTA Komische Oper Tel: 49-30-202600

 La Traviata: by Verdi. Conducted by Shao-Chia Lū and performed by the Komische Oper. Soloists include Nadelmann, Küttenbaum, Fedin and Dobber, 7.30pm; Jan 29

■ BONN

DANCE Oper der Stadt Bonn Tel: 49-228-7281 Ein Sommernachtstraum: a choreography by Your Varnos to music by Mendelssohn, performed by the Ballet Bonn. Soloists include ascha Hoffmann-Sinikova and Alexei Moussatov: 7pm; Jan 27

DRESDEN DANCE

Sächsische Staatsoper Dreeden Tel: 49-351-49110 Rot und Schwarz a choreography by Uwe Scholz to music by Berlioz, performed by the Bailet Dresden. Soloists include Margaret Illmann, Carole Arbo and Vladimir Derevianko; 11am; Jan 28, 31 (7pm)

FRANKFURT

EXHIBITION Jahrhunderthalle Hoechst Tel: 49-69-3601240 Horst Antes. Werke aus der Sammlung Etta und Otto Stangl: exhibition devoted to Horst Antes, one of the leading figures of the West German art scene at the beginning of the 1960s. The display presents several works as proof of

his successful endeavor to break up with traditions and create something new. The exhibits survey almost 30 years of Antes' artistic achievements and include among others his colourful Maja works; from Jan 28 to **Mar 17**

Wigmore Hall Tel: 44-171-9352141

LONDON CONCERT

 Borodin String Quartet: perform Barber's "Adaglo for Strings", akovich's "String Quartet No.3 in F" and Schubert's "String Quartet No.14 in D minor (Death and the Maiden)*; 7.30pm; Jan 30 ■ Malcolm Binns: the planist performs Chopin's "Baracolle in F sharp Op. 60", "12 Etudes Op. 10", "Noctume in C minor Op. 48 No.1" and "12 Etudes Op. 25"; 7.30pm;

DANCE Royal Opera House - Covent The Sleeping Beauty: a choreography by Petipa to music by Tchalkovsky, performed by The Royal Ballet. Soloists include Sylvie Guillem and Joriathan Cope; 7.30pm; Jan 29, 31; Feb 1

LOS ANGELES CONCERT

Schoenberg Half Tel: 1-310-825-2101 Los Angeles Guitar Quartet: perform works from their new release "Labyrinth"; 8pm; Jan 27

■ MADRID EXHIBITION Fundación Juan March

MUNICH CONCERT Tel: 49-89-21851920 Bayerisches Staatsorchester: with conductor Gennady Roshdestvensky perform Haydr's "Symphony No.72 in D", Shostakovich's "Violin

NEW YORK

CONCERT Avery Fisher Hall Tel: 1-212-875-5030 New York Philhanmonic: with

Concerto" and Tchalkovsky's

"Symphony No.5"; 8pm; Jan 28 (11am) , 29, 30

conductor Kurt Masur, violinist Cynthia Phelps, trumpeter Philip Smith and cellist Lorne Munroe perform Sheng's "Fanfare: Arrows to the Page", Bartók's "Viola Concerto", Chaynes' "Trumpet Concerto" and R. Strauss' "Till Eulenspiegels lustige Streiche"; 8pm; Feb 1, 2, 3 JAZZ & BLUES

Blue Note Tel: 1-212-475-8592 Grand Stam & Monty Alexander Trio: two performances on one evening. The performance by Grand Stam, featuring Jim Hall, Joe Lovano, Christian McBride and Lewis Nash, is followed by that of the Monty Alexander Trio, in which Monty Alexander, Ira Colman and Dion Parson join forces; 9pm & 11.30pm; from Jan 30 to Feb 4 OPERA & OPERETTA Metropolitan Opera House Tel: 1-212-382-6000

 Il Barbiere di Siviglia: by Rossini. Conducted by Adam Fischer and performed by the Metropolitan Opera; Jan 27

PARIS

CONCERT Théâtre des Champs-Elyaées Tel: 33-1 49 52 50 50 Ruggero Ralmondi: accompanied by planist Anne-Marie Fontaine. The bass performs works by Bellini, Ibert, Mussorgsky, Duparc, Fauré, Mozart and Ravel; 8.30pm; Jan 29 Théêtre du Châtelet Tel: 33-1 40 28 28 40 Orchestre de Paris: with conductor Semyon Bychkov and violinist Maxim Vengerov perform Mendelsschn's "Violin Concerto No.2" and Stravinsky's "Le Sacre

du Printemps"; 11am; Jan 27

■ STUTTGART CONCERT Steatstheater Stuttgari

Tel: 49-711-20320 Staatsorchester Stuttgart: with conductor Gabriele Ferro and violinist Vidor Nagy perform Bartók's "Viola Concerto", Bruckner's "Symphony No.1", and the world premiere of Milko Kelemen's "Für Anton": 11am: Jan 28, 29 (8pm)

■ VIENNA **OPERA & OPERETTA**

Tel: 43-1-514442960 Manon: by Massenet. Conducted by Jan Latham-König and performed by the Wiener Staatsoper, Soloists include Elizabeth Norberg-Schulz and Kurt Rydl; 6.30pm; Jan 30

■ WASHINGTON **OPERA & OPERETTA**

Fisenhower Theater Tel: 1-202-467 4600 Verlobung im Traum: by Krása. Conducted by Israel Yinon and performed by the Washington Opera; Jan 30; Feb 1

■ ZURICH

CONCERT Opernhaus Zürich Tel: 41-1-268 6666 Orchester der Oper Zürich: with conductor Franz Weiser-Möst, soprano Inga Nielsen and mezzo-soprano Cometia Kallisch perform works by Beethoven and Messiaen; 7.30pm; Jan 27

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Philip Stephens

New suits, old strains

The furore over Harriet Harman's choice of school for her son demonstrates that strife is within, rather than between, parties

For 18 months Tony Blair has been wrenching his party from its tribal roots. He has been teaching New Labour a new language. The individual counts. Rights imply responsibilities. Markets and competition equal prosperity. The middle classes are there to be courted rather than clouted. It is colleagues, nowadays, not

To watch this process has been to marvel at Mr Blair's audacious authority. It is true that behind the scenes, there have been struggles and difficult compromises, many more than have found their way into the public prints. Let noone think that members of the shadow cabinet have only fond words for each other. Watch, say, the body language between Gordon Brown and Robin Cook. Nor have Denis Canavan, Dennis Skinner and Ken Livingstone forgotten the politics of class war.

But for every diehard socialist still crouched on the Labour benches at Westminster, perhaps two others have been swapping picket-line anoraks for the smart suits of social democracy. Mr Blair was winning, and decisively so. Until this week, that is.

The storm over Harriet Harman's decision to send her 11year-old son Joseph to a grammar school has now subsided. Mr Blair kept his nerve. He kicked the backsides of less resolute colleagues. Hard. Late on Monday night Mr Blair was told by several senior figures in the party that Ms Harman's position was untenable. He said she was staying. Period.

It took about 24 hours for John Prescott, visibly fuming on Tuesday, to regain his composure. He is no friend of Ms Harman. But volatile though he is. Mr Prescott is 57. This was not an issue on which to risk the election and, with it, his last chance of a ministerial career.

Shaky at first, Ms Harman also recovered her balance. There is nothing wrong, she finally explained, with treating with the real world as it exists while wanting to change it for the better. Pretty obvious really. If not, what on earth are politicians for?

Grammar schools are an obsession of London's middle classes, journalists and politicians pre-eminent among them. They are not a serious issue in British politics. For all the talk of choice and diversity, I heard not a single sensible voice this week call for a return to examinationbased selection for 11-yearolds. Conservatives know as well as anyone that the system scrapped 30 years ago was as bad as it was unpopular.

The damage inflicted on Labour by this episode came not so much from the Tory charges of hypocrisy. The vot-ers expect that of their politicians. It is the atavistic fury which Ms Harman's simple act of parental choice unleashed among her colleagues that cannot be brushed aside. For all the new suits, the parliamentary party probably remains the most unreconstructed part of New Labour. This week it showed.

Sure Mr Blair ultimately prevailed, and visibly so. As Mr Prescott discovered, he does not buckle. And of course, it would have been absolutely disastrous had Ms Harman been forced to resign. But as it is, it has still been a thoroughly bad week for the

Television has subtly altered the distribution of power. Instant access to studios gives relatively small groups of MPs the capacity

to wreak havoc

Major, it has been the best since his victory in last summer's Tory leadership contest.

We must assume that Mr Blair will be drawing some obvious lessons. He cannot afford another row like this. Saving Ms Harman exhausted much of his credit with the parliamentary party. Resentment at the way policymaking seems to be concentrated in the hands of a small group around the leader spills out beyond the hard left.

For the past three years the media has been mesmerised by the infighting in the Tory party. British politics has been defined by intra-rather than inter-party strife. The Tories have whetted the media's appetite. As the election approaches it will be ever more eager to shine the spotlight on Labour's conflicts.

The remorseless expansion of television has subtly altered the distribution of power at Westminster. Instant access to the studios gives relatively small groups of MPs the capacity to wreak havoc. Aided and abetted by the mutterers in the shadow cabinet, the Labour left this week simply slipped into the shoes of the Tory Eurosceptics. For Ken Livingstone, Brian Sedgemore and Denis Canavan we would last week have read Bill Cash, Nicholas Budgen and Richard Body.

Mr Major, who sometimes seems the only one left in the Tory party who thinks it can win the election, will draw a broader conclusion. Look, he can say, Labour is vulnerable. Beyond Mr Blair lies a party still wedded to the politics of envy. The charge that a Blairled government would lead the country back to state collectivism will never stick. Those are not his instincts. and the voters are not stupid. But a line of attack has

Think about it. If a decision to send one small boy to a particular school causes such paroxysms, how will Labour react when the going gets

Labour leader. For John rough in government? What will the party do when chancellor Gordon Brown looks at

the Treasury books and finds he must cut welfare spending? Serious Conservatives understand also that attack is their only defence. Forget the guff about competing visions of enterprise and stakeholder economies. If Mr Major has a chance left, it lies in persuad ing the electorate to fear Labour more than it despises his government.

But my own view is that we have seen again in the events of this week the beginnings of more profound shift in British politics. The tribal bonds which once held firmly together the competing factions in both main parties are weakening. Agreement is as often found across the parties as within them. Does anyone think Mr Blair's politics are closer to Mr Livingstone's than to, say, those of Kenneth

For seven years now we have witnessed the fracturing of the Tory party. By breaking with Clause 4 socialism, Mr Blair is imposing similar pressure on the Labour coalition. Of course, the strains are barely evident yet. But he must accept that a sizeable minority in his party will never be comfortable with social democracy. As he runs ahead on the road of modernisation, he robs Old Labour of its past. At some point it may fight to reclaim it.

It was pure coincidence that at the moment on Monday that Mr Blair was resisting his colleagues' call for the dismissal of Ms Harman, Paddy Ashdown was making him an offer. Take the Liberal Democrats into partnership, Mr Ashdown declared, and you will have security in government for a decade.

Far-fetched you might think. But everything I see in British politics tells me that the mould may finally be cracking. If I were Mr Blair, I would spare a few minutes this weekend to consider Mr. Ashdown's offer.

LETTERS TO THE EDITOR.

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Russia holds key to relations with Baltic states

From Mr J. Lüsis. Sir, John Lloyd writes ("The reform of Russia: for worse, for better", January 24) writes: "Russia is indeed limited. constrained and cramped; by the new states all about it, which include the three small Baltic countries whose rhetoric and sometimes actions are at best cold. . .", thereby implying that the Baltic states are to a

considerable degree responsible for a general worsening of relations with

the City From Dr Anne-Carole Chamier. Sir, I'm not an economist, nor a financial whize. I'm an impoverished scientist. But I Forte takeover. Was it really

> which Forte does? The sums involved make the

Scotland IV17 0YB, UK

There is, however, a different erspective. The Baltic states in the past four years, Latvia and Russia have signed a perspective. The Baltic states are not "new" states, but rather countries which have regained their independence after 50 years of Soviet occupation.

Immediately after re-establishment of independence in 1991, the Baltic states, Latvia included, began to develop bilateral relations with Russia based on equality, mutual respect, mutual benefit and other universally acknowledged

series of significant treaties. which have created a stable foundation for the further development and deepening of relations. Among these treaties, especially noteworthy is the "Treaty on the withdrawal of Federation of

Russia Armed Forces". I hope that relations between our countries will continue to improve. But this is as much, if not even more so, dependent

on the actions of Russia towards its sovereign neighbour.

Any attempt by Russia to retain Latvia in its sphere of influence, or in any way threaten Latvia's sovereignty, will not in any way foster the development of positive bilateral relations.

ambassador Embassy of Latvia. 45 Nottingham Place. London W1M 3FE

Looniness in

can see a huge question-mark hanging over the Granada/ worth £147 x 10° for Granada to acquire enterprises in which it admitted it had little expertise; then sell off the hotels in

National Lottery look rather like a vicarage raffle prize. And I can think of a very worthy colleague who has been struggling for years to find even £1 x 10° to do important river catchment research. We look upon looniness in the City with wonder.

Anne-Carole Chamier. Achandunie House, Ardross, By Alness,

View of pensions is unfortunate actuarial and regulated

From Mr Jonathan D.H. Callund

Sir, Your article on the Chilean AFP (private pension funds) system "Chile's private pension funds, feted abroad, maligned at home" (January 18) has caused some misunderstanding in the Chilean and other international media. In the last paragraph, the juxtaposition of my quoted comment on AFP members not reading, nor understanding, their periodic account statements and the concluding comment by your

correspondent, Imogen Mark, is most unfortunate. Far from being lucky for the government, it is unlucky for the government that there is such a general lack of understanding as to the operation of a pension fund. Because of this, members find it difficult to understand why the rate of return was negative in 1995. Even in Congress, the concept of pension funds is not

understood. The negative returns in 1995 led to a proposal in Congress for a special inquiry. This was fortunately quashed. After all, one had year after 14 years of positive returns should certainly not give cause for alarm, especially when the average real rate over the whole 15-year period was well in excess of 12 per cent per In the penultimate

paragraph of the article, my views on the projections of pensions for a discrete group of pensioners under the system were referred to. There will indeed be more than a 15 per cent fall in the pensions paid to members using "programmed withdrawals" (an alternative to purchasing a life annuity, whereby the member draws down a determined amount each month from his personal

interest). It should be noted, however, that less than 60,000 💰 of some 200,000 people who have retired under the AFP system have opted for a programmed withdrawal. Furthermore, until this year, this group had seen its pensions rise over the last five years by a real rate of some 14 per cent per year. This is the issue at hand.

After regular increases in their income each year, due, in the main, to the excellent performance of their funds, they will suffer a drop in pension income. However. even after this fall, the pension will still be more than 50 per cent higher, in real terms, than it was in 1990.

Jonathan D.H. Callund, general manager, Callund & Cia, Américo Vespucio Sur Nº80. Las Condes, Santiago, Chile

Employee motivation is essential route to profitability

From Mr Peter Burton. Sir, David Morgan (Letters, January 24) attacks Professor John Kay's view that companies should develop employees even when there is no immediately obvious link to profitability. Mr Morgan's approach is exactly the sort of

short-termism which leads to

many UK companies turning in a mediocre performance because of an inadequately trained and poorly motivated workforce.

Research has shown that employees stay longer and perform better if management pays attention to their development, particularly in

situations where job security is in doubt, which are all too common at present.

account, the amount of which

is recalculated annually using

There is a great deal of evidence that high levels of customer loyalty and commitment, which are essential if profitability is to remain high in a strongly competitive environment, are achievable only if the workforce itself is motivated and committed. We ignore this evidence at our peril.

Peter Burton, AGC Consultants, 26/28 Bedford Row, London WC1R 4HF,



Poland's search for allies

The west should stand up to Moscow and bring central European countries into Nato



At present one can only speculate as Yevgeny Primakov, the Russian foreign minister, is the as some people fear - bring to an end the pro-western episode

in Russian foreign policy which started in the late 1980s. The differences could hardly be more marked between him and his immediate predecessors. Mr Andrei Kozyrev sought to avoid a real hardening of Russian policy while adopting a tougher style, and Mr Eduard Shevardnadze, the Soviet foreign minister, dealt with the outside world after Moscow's reforms had opened the window of opportunity.

This becomes obvious when reading the memoirs of Mr Hans-Dietrich Genscher, the former West German foreign minister. Mr Genscher quotes talks with Mr Shevardnadze in which one finds arguments for Germany's integration into Nato that have again become very familiar in the protracted discussions on Poland's efforts to join the alliance.

How was it possible to integrate the former German Democratic Republic (East Germany) into Nato while the central Europeans are so unsuccessful in their present efforts?

The names of Mr Mikhail Gorbachev and Mr Shevardnadze do not by themselves provide an explanation, even though they are closely linked with a unique phase of openness in Moscow's politics. There are at least two further elements in the equation: Germany displayed a high degree of determination in its approach to Nato membership and - perhaps even more important - the western world gave this policy clear support. But when it comes to Poland and Nato, two of the three ingredients of Germany's suc-

cess are missing: a positive

political climate in Moscow

and a clear stance by the west.

These two are linked because

the terms "positive" and "nega-

tive" when referring to the

Opposed: Alexander Kwasniewski, left, and Yevgeny Primakov

relative. Had the west not displayed all its authority six years ago, it might have heard from Moscow that the climate there was not good enough for a united Germany to become a member of Nato.

The hardening of Russian policy is a fact. Mr Primakov, as the head of Russian diplomacy, personifies this change. His initial statements, including those on Poland, do not leave any room for illusions. In an imperious manner, he declared that Moscow would not consider any military intervention in Poland. But he also stated with gratifying openness why he could not accept Poland's accession to Nato. It would affect Russia's geopolitical interests. This language is

tough, but clear. The west has not used such tough language for a long time. The meandering course followed on the question of Nato enlargement suggests that it is not really clear about its own goals. This is precisely where the problem lies. When Nato argued about a reunited Germany, everybody was aware that Europe's stability was at stake. A Germany at the heart of Europe but not integrated with other European states would have thrown the continent back into political rivalries which were a familiar picture before the first world war. Germany and her allies partners, including Poland, agreed on that much. In the discussion on enlargement, this kind of strategic insight is missing. Instead, the same naive question is being repeated time and again: why should Poland join Nato if there is no military threat from Russia? It can be answered by asking a different question: was eastern Germany integrated into Nato because there was a military threat?

One can believe Mr Prima-

kov when he says that Russia has no intention of dispatching troops to Poland. What are at stake are geopolitical interests. Moscow wants political room to manoeuvre in central Europe. But, even if we appreciate Russian interests, this is the very thing we cannot afford to concede. And not just because of Poland; those who are interested in a good relationship between Europe and Russia should do everything in their power to prevent the historic triangle of tension between Russia, Poland and Germany from resurtacing.

Linking Poland to the same structures that embrace Germany is the best guarantee of achieving this. This applies to the European Union as well as Nato, but I do not believe those who suggest that a more appropriate solution would be for Poland merely to join the EU while relinquishing the goal of Nato membership. After all, is anyone really prepared to offer

itself. How determined is Poland to achieve its goal? At times this question contains the assumption that the election of the post-Communist Mr Alexander Kwasniewski as president might signal a mood swing. This is not the case. During the election campaign, foreign policy played only a minor role and was not a bone of contention. Obviously the majority of the electorate were convinced that, under Mr Kwasniewski, the course of foreign policy towards integration with Nato and the west would be continued. After all, this was what happened in Hun-gary after Gyula Horn, a former communist, took over the government and kept up efforts to join the EU and Nato.

the EU rather than to Nato?

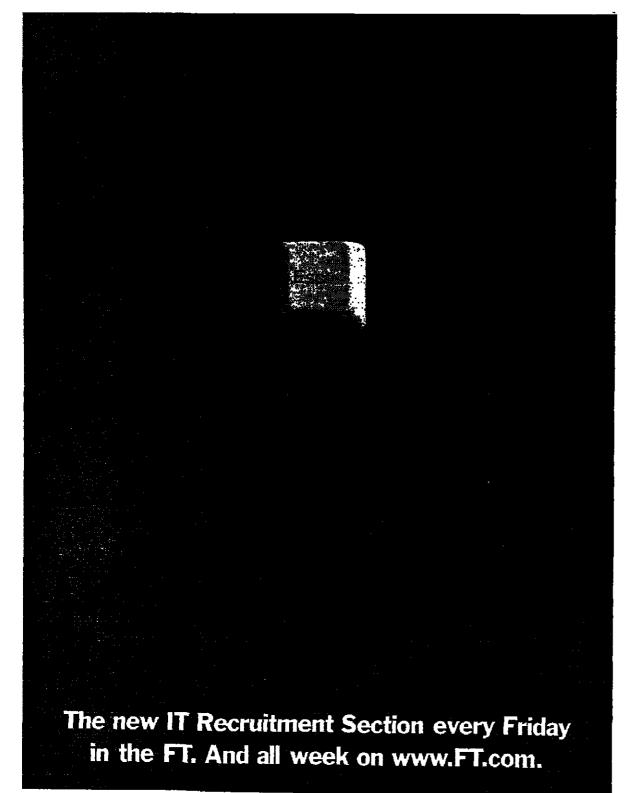
There is another important

issue: the attitude of Poland

And yet some questions i remain open for Poland and the whole region: will the rise of the post-Communists create a mental chasm between these central European countries and the West? Will the new Polish president be able to gain the genuine trust of the western partners, and will he be able to convince them that the future of European integration - and that means European politics in general - will be determined by the decision on Poland's co-option?

And finally, will Mr Kwasniewski be able to bring Poland unscathed through the present political crisis, triggered by allegations that Mr Jozef Oleksy, the prime minister who resigned on Wednesday, spied for Russia? In the next few years, which coincide with Mr Kwasniewski's term of office, decisions must be reached that will influence Europe well beyond the turn of the century. The integration of Poland and the other central European states into Nato and the EU is an essential part of this process, which is as important as the search for a new modus vivendi between the west and Russia. Mr Primakov's harsh language is not necessarily a bad omen. In this window of opportunity", real interests are being negotiated and niceties do not need to be exchanged.

The author was Polish ambas sador in Bonn from 1990 to 1995 and now heads the Centre for International Relations at the Institute of Public Affairs in



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Russia steps backwards

Westerners with an interest in Russian economic success must come to terms with the fact that the country has effectively acquired a new government with new priorities. They should not cling to the hope that the shifts in policy and personnel since the December parliamentary elections only signal changes in

President Boris Yeltsin has sought to encourage such wishful thinking, repeatedly reassuring investors and International Monetary Fund officials that the core of his economic policy remains unchanged. But his soothing words were yesterday drowned out by his appointment of Vladimir Kadannikov, a hardline critic of the reforms, to the post of first deputy prime minister in charge of the economy.

His predecessor, Mr Anatoly Chubais, was the most widely respected and successful proponent of economic stabilisation in the cabinet. His survival owed much to a willingness to reach messy, often risky compromises with his opponents. But he was at least distinguished from many colleagues in his belief that messy reform was better than none.

It was Mr Chubais's recent "flexibility" in agreeing to a range of opaque and highly unpopular privatisations in the energy sector that provided Mr Yeltsin with a popular excuse to sack him. But there is little evidence to suggest that the new cabinet members will be any more committed to transparency and economic pluralism in the microeconomic realm quite the reverse.

Bear fruit

Mr Chubais's departure casts even larger doubts over the prospects for the stabilisation programme. The minister's determination to stick with the targets for fiscal and monetary policy agreed with the IMF last spring has brought inflation down to 3.2 per cent per month, the lowest since the beginning of the reform pro-

Observers have always expected some loosening of the macreconomic reins in the lead-up to the presidential election. The issue enough to derail the economic programme, just as it is beginning to

On the face of it. Mr Yeltsin's promise that the government will start paying its bills, along with the pension increases announced vesterday, are responses to legitimate popular grievances about the inequitable and ad hoc way in which the government has reined in spending. A certain amount of such extra government expenditure could have beneficial social effects, without jeopardising the goal of low inflation, though only if it is bond-financed.

Fixed band

Yet Mr Yeltsin's decision to put the head of the ailing automobile giant, Avtovaz, in charge of eco-nomic policy raises fears of still greater slippage, for the benefit of the overmanned military-indus-trial complex. Mr Kadannikov has said he wishes to strengthen domestic industries. He also spent much of last year bemoaning the effects on competitiveness of the sharp real appreciation of the rouble. The worry must be that these words will mean a resumption of large inflationary subsidies to industry and, possibly, an aban-donment of the successful attempt to hold the rouble within a fixed

The Russian economy would still be paying the price of such a reversal long after the presidential election was won or lost. Possibly, the immediate effects on the government's credibility in financial markets and with outside institutions, such as the IMF, would be enough to make Mr Yeltsin reconsider. But, as of yesterday at least such people should be wary of put ting too much faith in Mr Yeltsin's questionable economic judgment in the run-up to the election Recent events do not mean that the Russian economy is doomed to plunge back towards hyperinfla-tion, or that the mistakes and gross excesses of the past will necessarily be repeated. But no-one should discount the possibility Nor, most importantly, should they continue to presume that Mr Yeltsin should be supported at all costs, on the assumption that the West's interest in a stable, pluralistic, market economy in Russia is

Latin America's corrupt politics

The image of corrupt Latin South Korea, Italy and Japan.

American politicians reinforces a Fernando Collor of Brazil, forced stereotype of the region. But the emergence of the scandals of recent years is, in fact, rather encouraging. They show that plenty is still wrong. But the fact that more are emerging into the open - the latest has Colombian President Ernesto Samper fighting claims he knew cocaine money financed his 1994 election campaign - is a sign that democratic institutions are sputtering into

Latin American states have

been dressed up as democracies since independence from Spain. But, for the majority, these democratic trappings used to belie reality. That is now slowly changing. Latin America's press, radio and television, its judicial systems and its civil societies are increasingly asserting their independence. making politicians accountable for their actions for the first time. The development is slow and uneven. In some countries, alleging corruption has become a part of the political game. The regular efforts by Congress to impeach ministers in Ecuador makes the country almost impossible to govern. There are countries, such as Peru, where checks on the executive hardly exist. Even in Chile, the army is often above the law and the head of the armed forces does not report to the president. Change is not happening instantly. Most Latin American countries may now have experienced more than a decade of unbroken rule by elected governments. But modern institutions do not magically emerge at the moment an elected government

on a grand scale. Similar scandals

A particular reason why the corruption scandals are emerging now is that many senior politicians began their careers in a different political landscape. This is not a uniquely Latin scandals have emerged in problem should steadily diminish.

takes power. And while ceding

state control over the economy

gives politicians less room for cor-

ruption, economic reform itself, in

particular privatisation, has pro-

vided opportunity for corruption

out of office by a corruption scandal, looked the very model of a modernising president, but he emerged out of the Jurassic swamp of politics in the north-east. Similarly, whatever may be the merit of the corruption charges he faces, former President Carlos Andrés Perez of Venezuela was first president in the 1970s when government's chief job was to share the spoils of oil revenues.

Autocratic tradition

No charges have been laid at the door of former President Carlos Salines of Mexico, who fell from grace only after stepping down from office. But his brother is in jail facing charges of murder and illicit enrichment, and his own record in office is badly sullied. Mr Salinas did attempt to modernise the economy, but tried to avoid a parallel political opening. He was thus firmly - more firmly than many foreign supporters realised - in the autocratic tradition of the Institutional Revolutionary party, which has ruled Mexico for 67 years, in which his family had been long embedded and through whose ranks he rose.

The accusations against Presi dent Samper emphasise the infil-tration into Latin American politics of money from drug traffickers over the last decade. This development undermined trust in democratic institutions and intimidates and suborns thos honourable men and women who would resist it. Unfortunately, little, except perhaps the increasing demand in the US for synthetic substitutes for cocaine, suggests

these pressures will decrease. Yet Colombia's institutions are strong enough, as were those in Brazil and Venezuela, to survive a presidential resignation. And Mr Samper's experience also suggests it would be political suicide for future Colombian presidential can-didates to use drugs money in their campaigns.

Corruption may remain a fact of life in Latin America, as elsewhere, for some time. But, since politicians have fewer opportunities for self-enrichment and run American phenomenon. Similar more risk of being found out, the

The FT Interview • Douglas Warner

Recasting the House of Morgan from," he says, "but don't be sur-prised again if we make a mistake

he New York rain is lashing against the win-dows of 60 Wall Street. Douglas Warner does not let it disturb his concentration. The chairman of J.P. Morgan, known as Sandy to his colleagues, ponders a question that People say he's tough - is he? He starts his answer hesitantly: "I

have a real passion for what this place stands for." He sketches out what that means, gaining confidence from the familiar words: quality, values, "the intensity of effort required to operate on a global scale." By now his tone of voice offers little sympathy for anyone who does not share his convictions. "That comes through in a commitment, a desire to win - though win-ning is not a 'win at all costs' idea." As Mr Warner supervises the final, most difficult stages of J.P. Morgan's shift from wholesale lender to integrated investment bank, that is exactly the balance he must strike. Morgan is now on the home turf of such famously aggressive firms as Goldman Sachs, Salomon Brothers and Merrill Lynch. Competing with them will take all Mr Warner's desire to win; but to retain the loyalty of its blue-chip clients, the bank cannot simply

win at all costs". Still, Morgan's transformation has so far been more successful than even its architects had hoped. Only a few years after starting to underwrite US corporate bonds, entering the US equity markets. and competing to advise on mergers, Morgan is a significant force in all three areas. Now Mr Warner, chairman for just over a year, must wring acceptable levels of profit

from the new businesses. Before the securities law reforms that followed the 1929 stock market crash, Morgan was both commercial and investment banker. The reforms cut the house in two, dividing it into Morgan Guaranty Trust, a commercial bank, and Morgan Stanley, then as now an independent investment bank.

As J.P. Morgan shifts from wholesale lender to integrated investment bank, its chairman talks to Peter Martin and Richard Waters about the future

In 1979, Morgan Guaranty started rebuilding the skills it had surrendered. The law still barred it from investment banking in the US, so Morgan learnt the trade in London, in the Euromarkets.

"That was the point at which we began to develop the skills in earnest," says Mr Warner. "We began to think of solving our clients' financial needs with a whole new set of capabilities." That project - symbolised by the

re-adoption of the J.P. Morgan name
- is now yielding fruit as banking restrictions ease. In 1989 it was allowed to underwrite new issues of corporate debt; in 1990, equities. That was "what really changed the way we think, the way we act," says Mr Warner. His tone, normally casual, acquires sudden intensity.

ers with your client, "and when you get to the single most important thing to any chief executive - his equity - you can't do it! Think of the frustration and the inefficiency and the competitive disadvantage. Now, he says, Morgan is two thirds of the way through developing its equity business. In the second half of last year, it was at least lead or co-manager in 20 per cent of all equity issued in the US. That is a good start; but the real rewards go to the handful of firms that rou-

tinely lead-manage the hig issues. Moving up that ranking will be harder. But, says Mr Warner, "we're not trying to be number one in the equities business, we're trying to get the first call from our clients when they've got something interesting to do in the equity market." To achieve that, Morgan has

invested heavily in investment bankers and research analysts. And to fustify those costs, the bank must get the "privileged dialogue" it seeks. Here is where Mr Warner's practical, nuts and bolts approach comes in. Establishing clients on "first call" status - ensuring they ring J.P. Morgan first - is more than an aspiration: it is now part of

every Morgan banker's pay packet. Mr Warner measures: "For how many of our clients did we know about their intention to do a deal before they did it? In how many of those cases did we get to make a serious proposal before they did it? And how many of those serious proposals did we convert into business? When one of our bankers says

Warner, my client is first call' I can objectively evaluate whether that's ent does a piece of business. If he says the client is first call and we didn't know about it in advance there's something wrong. So we shoot for first call and we evaluate and compensate for that.'

call is expensive. Since 1992, staff costs have risen 44 per cent - faster, as a proportion of revenues, than other publicly quoted investment banks. In 1995, Mr Warner's first year, that rising trend started to slow, thanks in part to a cut of 1,400 in staff numbers, costing \$55m (£35m) in severance pay.

In the fourth quarter, costs were only 3 per cent higher than a year before, even though revenues for the quarter rose 24 per cent and net income nearly doubled to \$366m. Mr Warner is pleased, but eager for fur-ther profit gains. As it has built the new businesses, Morgan's return on equity, 13.6 per cent in 1995, has been below past levels. "Are we going to be content from a client point of view or a profitability point of view with the levels we achieved in 1995? No way. So we've got a

ways to go."

He believes that profits will rise as the bank's new businesses mature. But what if continental Europe's universal banks buy their way in to the US, pushing down returns? Is it possible that we are looking not at a once-and-for-all transformation cost but a long pro-

cess of industry-wide low returns?
"I think that is a distinct possibility," says Mr Warner, "and I think the other side of that with their strategies client relationships and global capabilities intact will be the ones that focus intensively on areas of comparative advantage." One of the bank's comparative

advantages is reputation - but to some outsiders, that reputation took a knock in Spain in 1993. The bank's Corsair fund (named after the great J.P. Morgan's yacht) took a big stake in Banesto, one of Spain's largest banks. Morgan drew up a restructuring plan and led a \$700m equity-raising issue. Only four months later, Spain's central bank took Banesto over, accusing its managers of overstating assets. What are the lessons of that episode? Mr Warner's first reaction is a curious one for a bank renowned

for prudence and conservatism:

"Well I hear where you're coming

the deal? Hell, no. Might it still work out, indeed is it on a pretty decent track right now? Yes. Was it a long-term investment always? Yes. Is the fundamental investment thesis that we had still intact? Yes." Since then, he says, the bank has held postmortems, asking "what could we have done differently?". In this, and in other ways, Mr Warner stresses the need for continuous improvement in the way the bank works, emphasising speed, flexibility, and innovation - qualities not traditionally associated with the bank, perhaps, but ones he believes it has acquired in recent years. Steps he has taken include cut-

ting out management layers so that 150 people are only one level away from the chairman's office, and tilting the bank towards a regional structure, not one based on global product lines. It is clearly these practical issues that most excite him. His predecessors had the Big Idea', he says. "My challenge is an execution challenge - not cutting people's heads off but making things happen," he says.

because we're going to make them."

a high-risk deal going in and every-

body knew it. Was that the outcome that we anticipated when we did

"In that particular instance mistake may be the wrong word. It was

. He must do so against the background of an industry that may drastically change its shape from the pattern set in the 1930s. That period created the pure investment banks - the Goldmans, Salomons, Morgan Stanleys, which still dominate global investment banking.

Will there be any pure investment banks in five years time? Mr Warner answers with a single word: "No". Then: "They may be independent, but they will be in the commercial banking business, maybe in the insurance business, maybe in the technology business. I don't see anybody in the wholesale sector operating on the 1995 model indefinitely - with the possible exception of J.P. Morgan."

BSERVER

Trade man trades places

It's a tolerably safe bet that no foreign diplomat has seen more of Britain than Roy MacLaren, who was yesterday named as Canada's next high commissioner in London.

Moving to the UK at this stage was probably not MacLaren's first choice. Ottawa's indefatigable and widely respected international trade minister for the past two and a half years, he had apparently hoped to continue in that job for some time. But he made the elementary mistake of being honest with his boss. MacLaren, 62, let it be known

that he would not be standing in the next general election. Prime minister Jean Chrétien unexpectedly then turned around and suggested that MacLaren leave sooner rather than later as part of an extensive cabinet shuffle. His replacement in the trade portfolio is Arthur Eggleton, a former mayor of Toronto who has little international experience.

But MacLaren should not be too disappointed. He is at least something of an anglophile, ever since his days at Cambridge in the 1960s. His trim frame - usually encased in a waistcoat - is testament to his fondness for cycling and hiking. In 1966, he and his son Malcolm completed a 51-day hike from Land's End to John O'Groats. Don't be surprised,

empire Charles created, says Alfred. then, to see the new high commissioner occasionally eschewing his limousine in favour

Champ dump Puerto Rico, the US possession which can never make its mind up whether it wants to become a state

of the Union, stands out for one thing. It produces more garbage per capita than the United States or the European Union. Its output of 2kg per person a day compares with 1.9kg in the US, and 1.1kg in Europe. At current rates the dump in San Juan, the capital, will overflow within two years. To save the dump from overflowing the government has

started educating people on the need to recycle garbage. But the price of success could be high. Puerto Rico could lose its title as the world's garbage chann.

Fortefied

E Doubts may be growing about Sir Rocco Forte's bid to buy back the plum bit of his family's hotel empire, but one member of the family is determined to keep the Forte name going.

Alfred Forte, a cousin of Sir Rocco Forte; owns a 56-seat ice-cream narlour and snack bar in Berwick upon Tweed. "The business provides a good living but is very humble compared to the

The business was set up by his father, Carlo Forte, and Alfred's son Remo now runs it. Lord Forte, in his memoirs, recounts the tale of how another Carlo Forte used to run a café in Worthing. According to Lord Forte "he was extremely pleasant and hard-working, if not the greatest

Lord Forte used to help him out . with his creditors. One day Carlo introduced Charles to one of his friends, Eric Hartwell, a travelling

Hartwell was thinking of investing £1,000 in Cerlo's Worthing café. Charles Forte had other ideas. "I suggested to Carlo that this would be unwise and made a counter proposal: I would give them both a job in a new milk har I was about to start up. ..". From that chance encounter the Forte empire grew up.:.

Tea in China?

■ British prime minister John Major's visit to Bangkok early next month for a meeting of Suropean Union and Asian leaders has sparked plenty of chatter about whether he will meet up with Jiang Zemin, China's president, and even possibly go on to visit Betting.

It would be odd if Major didn't sit down with Jiang in Banghok to review progress on Hong Kong's

transfer to China, an event less

than 18 months away. However, it would be very surprising indeed if Major went on to Beijing. After all, the scars from his last outing in the Chinese capital, in September 1991, have

barely healed. Major was the first western leader to visit China after the June 1989 Tiananmen massacre. At the urging of Sir Percy Cradock, his then China adviser, he went to sign a public works agreement about Hong Kong's new airport with Premier Li Peng. China backed away from the deal

as soon as the ink was dry. Major was infuriated. In the search for a governor who could best represent British interests he appointed Chris Patten from whom he has a long-standing invitation to visit Hong Kong. Now that he just

Down the pan ■ The US authorities have decreed that clestra. Procter & Gamble's new fat substitute, can go on the market provided it carries the warning that it may cause "abdominal cramping and loose

stools". P&G, one of the world's leading suppliers of adult incontinence products, will presumably de hoping for some corresponding additional movement in those sales." figures too.

Minancial Times

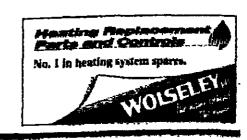
50 years ago Bretton Woods opposed

A strong section of the Australian Cabinet is attempting to persuade the Government to refuse to sign the Bretton Woods agreement, it is authoritatively earned here. Consideration of the agreement was deferred after an attempt by Mr. J.R. Chiffey, Prime Minister, and Dr. H.V. Evatt, Minister for External Affairs, to obtain its endorse ment was defeated in the Cabmet by ten votes to seven. The main argument against the agreement is that it permits international interference in Australia's domestic policy and living standards.

Steel control in Canada again The re-establishment of the Canadian Steel Control with powers equalling those of war time was announced to-day by Mr Howe to meet the emergency created by the American steel strike. Mr. Howe said that, if the strike was prolonged, the effect on Causda would be disastrous. One month's stoppage would virtually paralyse the Canadian economy, causing widespread unemployment.

No Finance Minister in France Difficulties in finding someone in France willing to take the post of Finance Minister delayed Cabinet making in night and left France without a Government one week after General Charles de Gaulle's resignation

LAWYERS FOR BUSINESS



Major seeks to reassure Dublin over election plan

By John Kampfner in London and John Murray Brown

Mr John Major last night sought to reassure the Irish government that his plans for elections to an Ulster convention were not intended to sideline Dublin.

Nationalist politicians rounded on the UK prime minister following his announcement to the House of Commons that elections provided the best remaining hope of delivering all-party talks.

However, it emerged that some ministers had earlier in the week been considering a softer formula to respond to the report of former US senator George Mitchell's international commission. One idea discussed in govern-

ment was to offer Sinn Fein three options: to begin immediate decommissioning of IRA weapons, in line with the longstanding British demand; to agree to elec-tions; or to agree to the principles set down by Mr Mitchell as a demonstration of democratic

It was made clear by several present at a meeting of the cabinet's Northern Ireland's sub-comUlster convention best hope of all-party talks, says British PM

option would let Sinn Féin off the hook and would infuriate unionist parties and a large number of Tory MPs. With a harder line agreed, Mr Major then made clear to the Commons on Wed-nesday that Mr Mitchell's "six commitments' would not suffice.
Irish irritation at the prime
minister's announcement was
compounded by what they
alleged was his failure to inform his Irish counterpart, Mr John Bruton, of his full intentions during a telephone conversation on Tuesday night. British officials disputed that interpretation, say-ing Mr Major had informed Mr Bruton of his intentions.

Relations between the two leaders have been one of the linchpins of the peace process, but Mr Bruton yesterday made his annoyance plain. "We cannot have any unilateral decision on a matter of this nature," he said.

In a letter to Mr Bruton last night, Mr Major ontlined the thinking behind his election plan and urged continued co-operation mittee on Tuesday that such an on getting talks started.

Mr Major said he had no intention of creating an assembly simi lar to those at Stormont in the 1970s and 1980s which collapsed along sectarian lines. He stressed that the body would serve purely as a forum for formal negotiations on a constitutional settle-ment for Northern Ireland. Mr Major told the Commons he was still prepared to call all-party

talks by the end of February, as agreed several months ago with agreen several monitis ago with the Irish government, as long as Sinn Féin abided by his original demand that the IRA give up some arms. Mr Dick Spring, the Irish deputy prime minister, told parliament in Dublin that the British idea was a "delaying fac-

British idea was a "delaying fac-tor" designed to keep Sinn Féin out of all-party talks.

He called for an urgent meet-ing next week with Sir Patrick Mayhew, Northern Ireland secre-tary. For all the rhetoric, how-ever, neither the Social Demo-gratic and Lebum party, which cratic and Labour party, which has reacted most angrily to the election idea, nor Sinn Fein have

UK central banker calls for standard rules on settlement

By John Gapper in London

A leading international banking supervisor yesterday called for regulators to establish minimum standards for national payment and settlement systems to prevent a catastrophic failure of the global financial system.

Mr Brian Quinn, executive director for banking supervision at the Bank of England, said the collapse of the UK merchant bank, Barings, last February had demonstrated weaknesses in co-operation between supervisors and regulators.

Mr Quinn, echoing concerns expressed by other international supervisors that the failure of a exchange could cause a ripple across global markets, called for an initiative to reduce these

Supervisors are concerned that shocks such as the failure of the US investment bank, Drexel

House speaker, has called a

down-payment towards a bal-

However, Mr McCurry yester-day urged Republicans not to "wave the white flag" on the bal-

anced budget, saying the White House was rejuctant to postpone

the goal of balancing the federal

The White House also opposed

budget until after the poll.

Continued from Page 1

anced budget.

Burnham Lambert, the Bank of Credit and Commerce International, and Barings, could set off such a chain reaction across the

Mr Quinn said Barings' collapse from £860m of derivatives losses accumulated by Mr Nick Leeson, a trader, had posed a threat not only to the Simex futures exchange in Singapore, but to the clearing of European Currency Units.

"The harsh reality is the web of financial transactions has expanded enormously in recent years...the next Barings, perish the thought, might not work out with such limited damage," he told a New York symposium investment bank.

His speech marked the first time that a banking supervisor has gone beyond a general call for more co-operation between the national regulators of pay-

the proposal to link such a deal

to an extension of the federal debt cailing, the government's horrowing authority. Mr Ging-rich has said the linkage was nec-

essary to guarantee support from

radical Republicans, Mr Robert Rubin, the Treasury

secretary, said yesterday he was

"absolutely confident" that the

US would not default, adding

that Moody's announcement

might make a default easier to

LOW

1000

FT WEATHER GUIDE

down of firm standards to be met by exchanges,

Mr Quinn said that just as banking supervisors within the Basic committee had established international standards for capttal for individual banks, regula-tors of exchanges and settlement institutions should agree rules. He said that he was not calling for exchanges to operate in the

same way, but there was a need for them to meet common requirements. He said these requirements should probably cover questions including which institutions were allowed access to payment systems, as well as the financial soundness and liquidity requirements of langes and payment systems.

A debate should also cover questions of an exchange's collateral requirements - how much cash a member is required to deposit as safe-keeping - and what arrangements members

people on getting this problem solved," he said.

Mr Leon Panetta, the White

country. It also warned that since tour-Congress drafts bill to avert shutdown structive move because it helped continue this process of focusing

early last year to implement a similar scheme on a nationwide scale but its attempts were believed to have been thwarted following objections by Indonesian brewers. At the time, Arhamas officials said the scheme was

Bali dry protest at new tax on beer

Indonesian brewers have stopped supplying beer to Bali, the country's prime tourist destination, in protest against a new tax on beer levied by a company understood to be controlled by President Suharto's grandson.

The brewers are outraged at a decision by Mr Ida Bagus Oka, Bali's governor, to allow the Arbamas company to charge and collect an additional regional tax on alcohol through a system of compulsory labelling. Arbamas is widely believed to be owned by Mr Ari Sigit, the son of President Suharto's eldest son.

not bearing stickers which pro-ducers must buy from Arbamas are considered illegal. The indonesian drinks industry association said the Rp400 (18 US cents) tax per beer bottle charged by Arbamas is 200 per cent higher than the existing regional tax. Alcohol imports and sales are already subject to strict controls and hefty taxes in Indonesia, which has a predominantly Moslem population.

Only two state companies are permitted to import liquor, which is subject to duties of between 40 and 170 per cent, in addition to a 35 per cent luxury sales tax, a 10 per cent value added tax and other excise taxes.

Locally brewed beer is subject to both the luxury sales and value added taxes and to a Rp650 a litre excise duty. A 620ml bottle of local heer costs between Ro4.000 and Ro8,000, depending on where it is bought.

Supplies to Bali have been withheld for 10 days in a move that could leave thousands of holidaymakers dry. "Recently, the army units in Bali seized 100 crates of our beer which did not bear Arbamas stickers," said Mr Rubian Harahab, spokesman for the association and an official at Delta Jakarta, brewer of the highselling Anker beer.

In a rare confrontation with both government authorities and the presidential family, the association questioned the legitimacy of the scheme and its effects on the investment climate in the

ists are the largest consumers of heer in Bali, the tax threatens to have a negative effect on the development of tourism on the island. The popular beach resort of Kuta, for example, has allnight pub crawls catering almost exclusively to foreign tourists. Arbamas had positioned itself

House chief of staff, yesterday called on Congress to enact a debt limit extension, without attached conditions, for a year, and to extend the government's borrowing authority from \$4,900bn now to \$5,500bn. designed to protect the young from the effects of alcohol.

22

Under the scheme, heer bottles

as brewers

Nonetheless, it could be a victous battle. Hashro is playing the anti-com-petitive card to retain its independence, and it will gain enthusiastic backing from US retailers. They have a point. The combined group would control 28 per cent of the traditional toy market in the US. However, Mattel and Hashro are focused on different market segments, And the Scott Paper and Kimberly Clark merger demonstrates that a little restructuring can be enough to calm the regulators.

This puts Hashro in an awkward position. Its long-suffering shareholders saw a 35 per cent rise in their investment yesterday, this will disappear if the management rebuffs Mattel's approach. Hashro should submit to commercial reality and try to facilitate a deal. After all, the price of failure is a \$100m termination fee - which is more than half Hashro's forecast net profits for 1995.

Termination fees

Mattel's \$5.2hn bid for Hasbro contains a nice fat bribe. The toymaker is trying to bounce its reluctant rival into an agreed merger by offering it \$100m in compensation if the deal is subsequently blocked by the authorities. Such termination fees are increasingly common in the US. First Bank System has just walked away with \$200m after its white knight bid for First Interstate was trumped by Wells

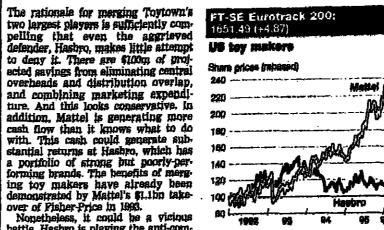
At first sight, these payments looks like a huge waste of shareholders' money. But there is some logic to them, Mattel is clearly hoping to avoid a long drawn-out bid battle with Hasbro and gambling that if the two neasent a united front they can get regulatory approval. Since the resultant savings would be huge, it may wall be worth risking \$100m. First Interstate's

Currency Swaps

OTC Options

THE LEX COLUMN

Trouble hits Toytown



case is even clearer. By promising to pay a white knight \$200m, it forced Wells Fargo to raise its offer by almost \$1bp. If they encourage a bid that would not take place otherwise, or persuade a white knight to come forward and make a higher offer, termination fees are a good idea. But the payment should not be so large that it turns into a poison pill.

Termination fees are unlikely to spread to Europe, however. Under UK takeover rules, they would need prior shareholder approval - difficult to arrange within the strictures of the bid timetable. Takeover codes elsewhere in Europe have not even considered the issue. But this is the sort of practice that could be usefully exported across the Atlantic.

Amex/Visa

Should a bank that is the member of one credit card company be allowed to issue cards for a rival organisation? That is the nub of the spat between Visa and American Express, which went to the European Commission this week. Amen, which is struggling to gain greater penetration for its cards in Europe, wants to use banks as distributors. Visa, which dominates the European card market, is thinking of banning its bank members from issuing Amex cards. Since banks are the obvious distribution channel for cards, and since almost every bank of note belongs to Visa, such a proposal looks blatantly anti-competitive. Visa's main counter-argument -

that Amex is trying to gain a "free ride" on its investment - does not hold water. Amex is not trying to use the Visa brand name; nor is it trying

to plug into Visa's computer systems True, Amex believes banks would be well-placed to sign up customers and merchants because they have already made an investment in the card business. But that investment in relationships has been incurred by banks indi-vidually rather than by Visa

collectively.
Visa's other argument - that banning its members from issuing Amex cards may be needed to preserve the intense rivalry between the two card networks - is equally weak. It is bard to see why competition would be eroded if a bank issued both Visa and Amex cards. Visa will have to come up with better arguments if it is to convince the Commission that its real intent is not to curb competition.

UK pensions

Pension provision for the next century may not be much of a vote winner but the Labour party is right to focus on it. The City of London should too. The pensions crunch facing the British economy may be less severe than elsewhere in Europe but its scale is still staggering. The current genera-tion is trapped. It will have to save more, because the value of state pensions has been sharply cut back. But this will not stop it facing a huge tax hill to pay for the rights of existing state pensioners; the cost is set to rise, in 1994/5 prices, from £36bn a year to £54bn a year by 2030 - roughly equivalent to a 9 per cent increase in income

The outcome is inevitable: sooner rather than later, many people are going to have to put more aside for their retirement. Pressure is growing for some form of compulsory savings regime, along the lines advocated by Mr Frank Field. The current government has ideological problems with this - but the next one may well not. For the City, this is not a problem but an opportunity. A big new market is at stake. At present, pensions business is becalmed; occupational pension membership is at best static, and personal pension sales have been hit by the misselling debacle. The latter. though, looks a short term phenomenon - which is good for life assurers. Meanwhile, if they play their cards right, fund managers could one day end up running a new governmentsponsored fund for low earners. They should lobby hard to do so.

> Additional Lex comment on UK premium bonds, Page 17

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Kleinwort Benson's Treasury Division has moved to its new dealing room

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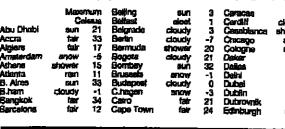
Southern Scandinavia will be cloudy with

continuous light snow and a fresh easterly breeze. Western Norway and southern Finland will be suriny but cold. The British lales will have snow or sleet with strong breezes along eastern coasts but areas west of the mountain ranges will be dry with a few preeks. Germany and the Benelux will be cloudy with occasional snow and northern France may have freezing rain. Rain is expected over western France and the iberian Peninsula. Central France and north-eastern Spain will be rather sunny. Rain and snow will fall over the western Alps. Southern itsly and Greece will have heavy showers and thunder storms. The southern Balkans will be cloudy with patchy rain. Most other areas in eastern Europe will be cloudy with snow furties, but a few breaks are expected over Russia.

Five-day forecast

North-eastern Europe will remain cold with patches of light snow but some sunny periods. South-western Europe will be mild and unsettled with rain over Spain and Portugal. Showers moving eastwards will continue to affect the Mediterranean.

YODAY'S TEMPERATURES



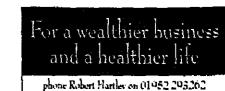
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FINANCIAL TIMES **COMPANIES & MARKETS**

Friday January 26 1996



Telford.

Boeing

IN BRIEF

Damages burden threatens Loewen

Loewen Group, one of North America's biggest funeral home operators, has warned that it may be forced to file for bankruptcy protection following a big civil damages award last autumn by a Mississippi jury. Loewen's shares lost almost a third of their value in early trading on the Toronto stock exchange. Page 16

Outokumpu falls on profit disappointment Shares in Outokumpu fell heavily after the Finnish mining and metals group reported much lower than expected profits in the final four months of 1995. The group blamed the setback on asset write-downs and inventory losses caused by a weaker stainless steel market. Page 14

Japanese brewers feel the draught After swamping the world with electronic gadgets and cars, will Japan now flood it with beer? The country's leading beer companies hope so. Faced with increasing pressure in the domestic market, they are pumping up their overseas operations.

Price falls hold back US Steel in final term The steady decline in steel prices in the US in the second half of 1995 are into the profits of US Steel in the final three months of the year, reversing the earnings growth of earlier quarters. Page 16

UK government sells last BAA holding The government raised about £145m (\$223m) from the sale of its residual 2.9 per cent stake in BAA, the UK's largest airports operator. Page 17

Chicago exchanges to resume talks on link Chicago's futures exchanges, the Chicago Board of Trade and the Chicago Mercantile Exchange, are to examine the potential "for common initiatives. including a possible merger", following a meeting this week between senior executives at the two markets. The move revives an idea which appeared to fall out of favour earlier this month. Page 26

Traders caught short as gold hits \$407



Gold's price jumped conclusively through \$404 a troy ounce to close in London at \$407, up \$4.10 an ounce. Traders were taken by surprise by the upward movement as many expected the price of gold to fall and went short - or sold gold they did not own in the expectation of buying it at a lower price and pocketing the difference. The price rise also sparked further buying by US hedge funds. Page 25

Polish shares jump after PM's resignation

In Warsaw, shares rose sharply after the announcement of the resignation of Mr Jozef Oleksy, prime minister. The Wig index rose nearly 5 per cent to 9,716.7 as turnover expanded from 38.9m zlotys to 177.3m zlotys. Back Page

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Demand for Repsol exceeds offer

and Antonia Sharps in London

OTHE FINANCIAL TIMES LIMITED 1996

Strong demand from Spanish investors means that the retail tranche of the forthcoming \$10nplus offer of shares in the Repsol oil, gas and chemicals group is already heavily oversubscribed before the official opening next Tuesday, the company said yes-

Purchase orders for the privatisation issue exceeded Pta262bn (\$2.1bn), or more than four times the amount on offer to retail investors, according to provi-sional data received by Sepi, the

The period for applications began on January 17, with half the 33m shares on offer reserved for the Spanish retail tranche. The public share offer will be open from Tuesday to Friday inclusive, following the fixing of a maximum issue price next

tutional investors, totalling 12.5m shares, were also oversubscribed. The scale of the demand globally for Repsol shares meant that it was highly likely that the "green-shoe" or over-allotment option of government with a 10 per cent

4m shares would be exercised. It is believed that the initial underwriting sizes are as follows: 2m shares for Spanish institutions; 5.3m shares for US institutions: 3m shares for the UK; 1.7m shares for continental Europe: and 500,000 for the rest of the

New York on February 5.
The operation, the second Repsol privatisation issue in less

than a year, is expected to raise about Pta130bn and leave the

Pringles potato chips in the US

this year, and will start selling

Within hours of the FDA clear

ance, PepsiCo's Frito-Lay subsid-

lary said it would start test mar-

keting salty snacks made with

for olestra looks promising. The

worldwide market for fat substi-

tutes is thought to be worth

about \$1bn a year, mostly in the

About a third of the US popula-

tion is obese, according to official

figures, and olestra has the

potential to do what no other fat

substitute has yet achieved: deliver fewer calories without

On the other hand, the FDA

has decreed that products con-taining olestra will have to carry

an information label cautioning

that olestra "may cause abdomi-

nal cramping and loose stools" -

a wording that seems unlikely to

compromising on taste.

encourage sales.

On the face of it, the potential

the product to other US savoury

snack manufacturers.

with 21 per cent at present. Repsol described the demand estimates, which showed that 195,000 investors had placed purchase orders, as "highly satisfactory". Institutional presentations in the US are due to begin next

a possible rebate of up to 10 per cent if they retain them for a year and the share price falls during this period. The offer is subject to a minimum investment

Pta10m.
Provisional estimates show a 21.6 per cent increase in Repsol's consolidated net profit last year to Ptal17.7bn.

The next candidate in the The next candidate in the Spanish privatisation programme is expected to be Argentaria, the banking group. The government, which last November decided to halve its 50 per cent stake in Argentaria, has asked 21 banks to submit their bids by the end of the month However the proximthe month. However, the proximity of the general elections in March and Argentaria's Weak share price could delay the sale.

improves 39% in final term

By Christopher Parkes in Los Angeles

Reduced income tax charges. caused by the recent 10-week strike by Boeing engineers, helped generate a 39 per cent surge in fourth-quarter net profits at the US aerospace group.

Income for the period was \$218m, compared with \$157m in the same period last year, on sales of \$4.5bn, down from \$5.1bn last time. Earnings per share rose to 63 cents from 46 cents, the company announced yesterday.

But the effects of the stoppage.

which delayed delivery of about 30 airliners, could not cancel out the impact of an earlier \$600m restructuring charge and fullyear net earnings fell 54 per cent to \$393m, from \$856m in 1994. Even excluding special retire-

ment charges, net income fell to \$783m on total revenues down from \$21.9bn to \$19.5bn. The sale decline occurred in the commercial aircraft divisions. Defence and space reported sales up 10 per cent at \$5.6bm.

Boeing delivered 206 commercial jet aircraft in 1995, 64 fewer than in 1994, and said it expected to finish about 215 this year, when, despite growing demand, the market would remain extremely competitive".

Production rates were expected to increase to pre-strike levels during the current quarter and group revenues were likely to recover to about \$22bn - little changed from 1994.

A \$400m reduction to \$1.8bn in research and development bud-gets last year – a similar figure is expected in 1996 – helped bolster the bottom line.
Mr Frank Schrontz, chairman

and chief executive, said continned growth in world passenger traffic and improving load factors had been very encouraging. As announced earlier, Boeing won about two-thirds of the world market for commercial jet airliners last year, leaving Europe's Airbus consortium in second place with 15 per cent. Continuation of this trend depended on sustained growth of passenger traffic at profitable

Confirming the industry's continuing recovery from slump and 1994's dip when total world orders tumbled to their lowest level in 10 years - Boeing said it took orders last year for 346 aircraft, worth \$31.24bn. However, only 12 per cent were destined Roderick Oram | for the still-sluggish US market. US airline results, Page 16

yields, Mr Schrontz said.

Repeating a successful formula The final price for the retail and institutional tranches will be used last year, individual pur-chasers are being offered a 4 per Bankers said the tranches for domestic and international instiset after the close of trading in cent discount on the shares, with

Market potential for a no-calorie fat substitute appears promising Hyundai double car output in

By John Burton in Seoul

5 years

plans to

Hyundai Motor, South Korea's largest car company, plans to double production to 2.4m vehicles by 2000 and increase annual sales to \$260n, Mr Chung Mong-gyu, the company's new

chairman, said yesterday. The programme to make Hyun-dai one of the world's 10 biggest carmakers within five years comes amid growing concerns that Korea's car industry is

heading for excess capacity.
Rival vehicle groups Kia and Daewoo Motor have also committed themselves to producing at least 2m vehicles a year each by the end of the decade. About 1m of Daewoo Motor's output will emerge from a network of car and truck plants being created outside Korea, in locations ranging from eastern Europe to east

Rarlier this week Daewoo Motor, part of Korea's third largest industrial group, projected a 1995 to Won10bn (\$13m).

Hyundai plans to produce 1.9m ve<u>hi</u>cles in Korea and another 500,000 abroad, including output in Turkey and proposed plants in eastern Europe, India and Viet-nam. The expansion of manufacturing facilities is expected to

cost Won2,500bn. Mr Chung estimated that Hyundai would account for 4 per cent of total world car produc-tion by the end of the decade. Sales would be split evenly between Korea and overseas

Hyundai plans to spend Won4,500bn on research over the next five years to develop technology and double the number of its basic car models to 10, including a mini-car, a deluxe sedan

and a sports utility vehicle. Sales for Hyundai in 1995 amounted to Won10,300bn, with 780,000 vehicles sold in Korea and 500,000 abroad.

Analysis predict that Hyun-dai's rapid expansion will con-tribute to a threatened production glut for the Korean car Korean carmakers' plans to

double production to at least 6m vehicles by 2000 come in spite of slow growth in the domestic market, which accounts for 60 per cent of their total sales. Ssangyong, the country's fourth vehicle maker and Samsung, the electronics group, are also moving into vehicle production. Although Korean carmakers hope increased sales abroad will support higher production, con-cerns remain that excess capac-

Procter argues you can have

cake and eat it It sounds too good to be true: test market olestra versions of its fat you can eat without put- Pringles potato chips in the US

L ting on weight. So has Proc-ter & Gamble, the US consumer products group, come up with a miracle in the form of its zerocalorie fat substitute, olestra? After nearly nine years of waiting, Procter & Gamble this week won clearance from the US

Food and Drug Administration (FDA) to put olestra on the market under the brand name Olean. It will use it in its own products and sell it to other food companies that want to use it instead of There have been many previ-

ous attempts to replicate fat with other, less calorific substances based on carbohydrates or pro-tein. But none of these products successfully replicates the taste of fat, and they cannot be used Olestra is different because it is

fat-based. Made from a combina-tion of sugar and vegetable oil, it looks, cooks and tastes just like construction, it passes through

Procter & Gamble has spent more than \$200m

developing olestra over the last three decades

the body without being digested or absorbed, so it adds no calories to the diet.

Over the last three decades,

Procter & Gamble has spent more than \$200m developing olestra. In 1987, the company applied to the FDA for permission to use it in the manufacture of savoury snacks as a first step towards its introduction in other foods.

Like most miracle products, olestra proved to have some drawbacks, Scientists discovered that it scooped up and swept away several essential vitamins from the body, preventing them from being absorbed. Embarrassingly, studies showed that it could also have a laxative effect, causing flatulence and "faecal urgency", among other things. However the FDA, charged

with determing a "reasonable certainty of no harm" from the proposed use, decided that the laxative effects were not harmful and Procter & Gamble undertook to counter the vitamin-scooping effect by adding extra vitamins. ity could lead to shrinking profits and industry consolidation. Now FDA approval has been to and industry consolidation.



More significantly, the approval given by the FDA applies only to the relatively parrow US market for salty snacks such as potato chips, tortilla chips and crackers. The applica-tion process will have to start all Germany, France, Italy and Spain, it says.

A number of large food compa-

over again if Procter & Gamble wishes to extend the use of olestra to other products.

Mr John McMillin, a food industry analyst at Prudential Securities Research, said: "The good news is that you can have Unilever said. your cake and eat it too. The bad Food companies are also connews is that you can only use

olestra for salty snacks and crackers; the FDA has very narrowly defined it. "If it gets limited to these categories for ever, Procter & Gamble will probably get a return on its investment. But I think the real issue is whether, after going a

couple of years with salty snacks, there is a possibility of opening it up to more categories." Outside the US, the UK and Canada are the only countries in which Procter & Gamble has yet sought permission to use olestra The company expects the UK

Ministry of Agriculture to note the US approval but to take its time making up its own mind. Within Europe, the British are the right consumers to target because they eat far more salty snacks than other Europeans. But their consumption is still only half the 22 pounds of salty

snacks eaten each year by the average US adult. With fat less of an obsession for Europeans, clestra therefore loses some of its

According to Leatherhead, a



UK food research agency, the UK tinuing to seek alternative methmarket for fat-reduced foods is only \$2bn (\$3bn) a year, or only \$2600m excluding milk, compared with \$25bn in the US. The market crisps. only £10m-£20m a year in the UK

nies including Unilever, the Anglo-Dutch consumer products group, are researching the same chemistry that Procter & Gamble uses for olestra, gathering patents along the way. "It is a new technology we can't ignore,"

for example, baking rather than frying potatoes to get fat-free

A low-tech route has merits over olestra, one UK crisp maker

"The warnings on packets of olestra-fried chips don't sit too well with the innocent pleasures of snack foods. The side-effects present a formidable marketing challenge." Results, Page 16

Richard Tomkins and

This announcement appears as a matter of record only

Mercury Development Capital and EGL Holdings, Inc.

congratulate the management of

THE BARACUDA GROUP

Automatic Pool Cleaners

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The Baracuda Group is the leading manufacturer and marketer of automatic swimming pool cleaners worldwide; we supported its MBI, via Atlanta-based EGL Holdings, in 1990.

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UK government rejects levy on transportation of gas

By Robert Corzine and Stefan Wagstyl in London

The UK government yesterday drew back from direct involvement in the dispute between British Gas and North Sea gas pro-ducers over £40bn (\$60.4bn) of

long-term contracts. In a setback to British Gas's ress in discussions between Britefforts to orchestrate an industrywide solution to the contracts problem, the government decided against seeking authority to impose a levy on all gas transported in the country.

Many of the suggestions by British Gas and producers to the proposed renegotiations resolve the issue of high-priced failed to solve the issue. A levy contracts depended on the introduction of some form of lavy. Sir Ian Lang, trade and industry secretary, said imposing the levy would not have been in the

interests of consumers and pro-tecting consumers' interests was a competitive disadvantage in the tecting consumers' interests was the government's objective. In an interview, he denied that political considerations played any part in the decision. Announcing the decision, Mr Tim Eggar, the energy minister, cited ... encouraging signs of prog-

ish Gas and gas producers". But British Gas last night said negotiations were only at "a very preliminary stage". It said powers to introduce a levy would have been "a sensible and prudent insurance policy" in case some producers as a way of spreading the costs of the high-

run-up to full gas market compe-

It pays an average of 19p-20p a therm for gas, compared with a current spot price of below 109 a therm and a longer term market price of around 15p. Over the next few years the

company is expected to pay producers a cumulative total of £1.5bn for gas which it is contracted to buy but for which it no longer has customers because of falling market share.

Mr Eggar yesterday held out the prospect that the government might review its position. Officials from the DTI said mechanisms other than a levy could be adopted if future government priced long-term contracts, which British Gas says are a legacy of tions to the contracts issue.

INTERNATIONAL COMPANIES AND FINANCE

December, when prices fell by

stage and FM320m in gains for

Fourth-quarter weakness hits Outokumpu

By Christopher Brown-Humes in Stockholm

Shares in Outokumpu fell sharply yesterday after the Finnish mining and metals group reported much lower-than-expected profits in the final four months of 1995.

The group, which is 40 per cent state-owned, blamed the setback on asset write-downs and inventory losses caused by a weaker stainless steel

It said its preliminary pre-tax profit for 1995 was FM1.5bn (\$331m). Although this is a 45.6

per cent increase on the FM1.03bn profit reported in 1994. It is well below the FM1.7bn to FM1.8bn expected by analysts. After the news the group's shares fell FM4.4. or 6.5 per cent, to FM63.8.

The optimism apparent at the eight-month stage, when the group more than doubled pre-tax profits from FM557m to FM1.32bn, was lacking in its statement yesterday. Profits in the final four months - at about FM180m - were well below last year's FM471m. One of the main reasons for

the decline was the group's

ble reserves of its Forrestania nickel mine in Australia by

about 10 per cent. The develop-ment forced it to cut the value The move, which the market did not expect, follows a recent of its metal inventories, resulting in a small inventory loss survey suggesting the mine's nickel content is about 15 per for the full year after gains of cent lower than an earlier esti-FM52m at the eight-month mate of 4.2m tonnes. The group also wrote down the book value of its 7 per cent the whole of 1994.

"The drawdown of excessive stake in fellow Finnish indus-[stainless steel] stocks, which trial group Tampella by began on the market during FM60m to reflect a fall in Tamthe autumn, continues and prices have fallen." Outopella's share price. Outokumpu said its result kumpu said. But it expected

had also been undermined by a the market to stabilise and value of the proven and proba- marked weakening in the demand to pick up again in a stainless steel market in few months.

The company said its fullyear figures reflected the strong rise in metal prices in the first eight months of the year, greater efficiency, and a Sales rose only slightly, from FM16.7bn to FM16.8bn - the increase would have been

while operating profits climbed from FM1.05bn to FM1.55bn. Average copper prices were about 27 per cent higher in 1995 than in 1994 and nickel

greater without disposals

Share price (Markita)

prices were 29 per cent higher.

Prices for stainless steel were also well above last year's.

Eramet chief as good as his word

The French group is set to take control of manganese producer Comilog, writes **Kenneth Gooding**

1994, Mr Yves Rambaud, the French group's chairman and chief executive, made a promise. He said that the cash-rich company, already the world's biggest producer of ferro-nickel and high speed steels, would seek to acquire a third industrial business to round off its operations.

Many observers thought the search was likely to take a long time because of the tough criteria Mr Rambaud had imposed. But he had had his eye on the perfect takeover tar-

get for some years. That target was Comilog, one of the three main producers in the western world of manganese, a material essential in steel making.

Comilog carries out open-pit mining in Gabon, while Eramet mines nickel in the same way in New Caledonia, a South Pacific island. Comilog's processing plants in Belgium, France and the US all use technology familiar to **Eramet.**

Eramet had to bide its time, however, waiting for some of Comilog's shareholders to be willing to sell. Comilog was owned 80 per cent by the Gabon government, 15 per cent by Gencor, the South African mining group, and 17 per cent by BRGM, the state-owned French mining group, with the rest in the year. hands of private shareholders Cor

Eramet now hopes to acquire 47 per cent interest in Comilog along management control and the right to appoint the chief

No price for such a stake has purchase: "The strategy was and assets in the US, including

hen Eramet was been officially revealed, but floated on the Paris stock exchange in about FFr650m (\$128.5m), or some six times 1994 cash flow and four times forecast 1995 cash flow. Eramet has also said

> the price is close to the net worth per share.
>
> The deal is subject to conditions, including a due diligence exercise Eramet is conducting.

> Eramet last month bought BRGM's shares in Comilog, in a deal which gave it three directors on the Comilog board. The rest of the stake will be provided by private

Eramet can, until June 15 next year, sell back shares to the private shareholders at the same purchase price, if the deal is unacceptable to Eramet. This means the due diligence exercise must be finished

before the deadline. The Gabon government's attitude provided the key to Eramet's approach to Comilog. It apparently wanted Eramet to move in and take management control rather than have

Gencor in charge.

Gencor would have been a likely candidate but it has a substantial interest in Samancor, another South African company and one of Comilog's big competitors. Gencor actually had pre-emptive rights, had any of the Comilog shares been offered for sale, but these rights expired in March last

Comilog paid large annual dividends until 1991, when it acquired several ferro-alloy plants from Union Minière, the debt to pay for these assets.

Eramet group Share price relative to the SBF 120 Index

good - the price was not." He says Comilog hopes to pay dividends in 1996, a move which would be welcomed by the Gabon government.

Comilog has an open pit mine near Franceville in southeastern Gabon, about 600km from the nearest port by rail. Nominal mine capacity is 2.5m tonnes a year, but production has passed that level when manganese prices have justified it. Output in 1994 was 1.6m tonnes; in 1995 production it is expected to be about 2m tonnes. Eramet says the mine's reserves would last more than 100 years at the current rate of

ther Comilog assets include a ferro-manga-nese plant in Boulogne, France, with 400,000 tonnes a year capacity but which is now producing about 280,000 tonnes; a silica-manganese plant in Dunkirk, France, with a capacity of 60,000 tonnes and with Belgium mining and metals presently producing about group, and went heavily into 40,000 tonnes; a chemical manganese dioxide plant and a Mr Rambaud says of this ferro-alloys plant in Belgium;

a manganese dioxide plant. clay operations and a spent catalyst recovery plant. If all goes well with the due diligence exercise, Eramet will

pay for its Comilog stake from

its own resources. Mr Rambaud says the Gabon mine will not require any large investment, but Comilog needs to reduce its debt. This stands at about FFr1.45bn, and the clay business and other noncore operations will probably be sold.

We have potential buyers for these non-core businesses but it is too early to say what they are worth," he

Mr Larry Kaplan, analyst at stockbroker Ord Minnett, says: "On the face of it, the Comilog manganese acquisition appears to be a good deal for Eramet." He suggests that, because of Comilog's debts, he would be surprised to see the company consolidated at Eramet group

"And we would not expect to see much in the way of Comilog dividend flow-through to Eramet before 1997," he

Saint-Gobain net up 16% despite sale of business

By Andrew Jack in Paris

Saint-Gobain, the French glass and building materials group chaired by Mr Jean-Louis Beffa, yesterday reported net income up 16 per cent to FFr4.2bn (\$830.1m) for 1995.

The improved result came despite a 6 per cent reduction in turnover, to FFr70.3bn, fol-lowing its sale of the Papier-Bois business at the start of November 1994.

The group stressed that the increase in underlying profits would have been 49 per cent above 1994 net income of FFr2.7bn, before the effect of capital gains from exceptional sales of businesses.

Operating profits for the year rose 7 per cent to FFr7.8bn, ahead of a sharp reduction in financing charges to FFr610m from FFr1.3bn, and other non-operating costs of FFr560m, against FFr1.1bn.

The group said its total net debt remained "low" at FFr3.8bn, or 8 per cent of shareholders' funds, compared with FFr2.5bn in the previous 12 months.

However, it said FFr9.2bn or 13.1 per cent of turnover came from self-financing, meaning that it was able to cover practically all of its industrial and financial investments internally. Sales in France accounted

for 19 per cent of the total, with a further 10 per cent exported from plants in France to other countries, 40 per cent from production in other European countries, and 31 per cent in countries outside Europe.

By Raymond Snoddy

Mr Antonio Asensio Pizarro, chairman of Antena 3 Televi-sion, Spain's leading commer-

cial television channel, said

yesterday he would consider a flotation for the company if

there was a change of govern-ment in the March national

Government permission is

now required for changes in

ownership in Spanish televi-

sion channels, but the opposi-

tion centre-right Popular

Party, ahead in the opinion polls in advance of the March 3

vote, is likely to take a differ-

when it is technically possible we will consider it." Mr Asensic said yesterday. He was

in London to sign a Pta15bn

(\$120.3m) loan arranged by Merrill Lynch, the US invest-

ment bank. The five-year loan

was designed to restructure the company's debt from

short-term to long-term. The

agent bank for the deal was the Royal Bank of Scotland.

Antena 8 was launched in 1989. For a time last year it

was the leading channel in

Spain and took 33 per cent of

total television advertising rev-

enues. Its 1994 sales totalled Pta54bn.

As well as being the largest

shareholder in Antena 3, Mr

Asensio also controls Grupo

Zeta, the large Spanish news-

By Virginia Marsh

and Development

in Budapest



Jean-Louis Beffa: chairman of building materials group

countries were positive. In an unusual statement from a French company, Saint-Gobain stressed that its results were compiled in accordance with International Accounting Standards, with the exception of a rule on depreciation which it used to comply with requirements from the Commission

des Opérations de Bourse, the market regulator. • Union des Assurances de Paris, France's largest insurance group, said yesterday its consolidated revenue for 1995 was provisionally estimated to have risen by 3.6 per cent on the 1994 figure, to FFr157bn,

AP-DJ reports from Paris. UAP said the increase took into account for the first time UAP's acquisition of Provincial Insurance of the UK, effective It said Latin America had from January 1 1995, as well as shown a drop in profitability, a change in accounting methbut France and other European ods at its Scor unit.

paper and magazine publishing

group.
Mr Asensio said the financial

restructuring would allow the

where the company already

intent with Multivision, the

cable television operator, and

duce television programmes. In

Argentina it bopes to run a

newly privatised television

Antena 8 is also involved in

the nascent cable television

industry in Spain, and is

already broadcasting five

the company to be involved in

offering cable telecommunica-

tions services in Spain. Under

a European Union directive,

this must be made possible by

The Antena 3 chairman has

decided against investing in

either of the two consortia

planning to launch competing digital satellite television

"It's going to be a long, costly battle and a very long-term return," said Mr

Asensio. He said he would pre-

fer to invest programme pro-

duction and management

expertise rather than cash in

South America.

services in Latin America.

themed cable channels. Mr Asensio says he wants

channel with local partners.

with Television Azteca to pro-

manages a channel in Peru. In Mexico, the company has already signed a letter of

television company to expand particularly in South America,

EUROPEAN NEWS DIGEST

Fokker bond fears hit Commerzbank

Commerzbank shares fell sharply yesterday on concern over its financial exposure to Fokker, the ailing Dutch aircraft manufacturer in which Daimler-Benz has a large minority stake. Daimler said on Monday it was ceasing financial

support for the beavily loss-making company.

Shares of the German bank dropped DM9, or 2.6 per cent, to DM338 on a day in which the Day index of 30 leading shares rose almost 1 per cent to a record 2.443.72 Analysis said Commerzbank would have to increase its risk provisions, depressing 1995 profits below market expectations.

The bank was lead manager for two Fokker bond issues. Investors concern centres on the second - totalling DM500m and running until 1998 - and the amount Commerchank has on its books. The bond dates from 1993, just after Daimler became involved with Fokker, which increased investors' confidence in the issue. Dresdner Bank has also lead-managed

Fokker bond issues. UK analysts said Commerzbank had told them it had a "significant exposure" to the bonds. They said Union Bank of Switzerland had become a seller of Commerzbank shares. Some estimated the German bank's provisions would have to rise by up to DM200m (\$135m) for 1995 because of Fokker and Germany's economic slowdown.

Andrew Fisher, Frankfurt

Lufthansa 'in profit'

Lufthansa, the German airline, yesterday reported an 8.2 per cent rise in passenger volumes to 40.7m passengers in 1995, compared with 37.6m the previous year. In a preliminary statement ahead of its official 1995 figures, the airline added that the cargo and airmail business had also increased, by 9.8

per cent to 1.6m tonnes.

The figures did not include details of 1995 earnings, but the company said it "ended the year in profits". In the first nine months of 1995 Lufthansa posted profits of DM506m (\$341.9m) before tax and net transfers, a performance affected strongly by the rise of the D-Mark against the dollar and European currencies. Lufthansa said yesterday it ended the fourth

quarter on "a positive note". The airline said capacity measured in tonne-kilometres increased by 9.7 per cent with revenues up 9.1 per cent. The overall load factor, which denotes the utilisation of total available capacity, dropped by 0.4 percentage points to 70.4 per cent. The seat load factor – the occupancy rate of passenger seats –increased by 0.5 percentage points to a 70.5 per cent, compared with 1994. The number of passengers and the seat load factor were both records.

Wolfgang Münchau, Frankfurt

Gambro backs Incentive bid

The bid by Incentive, a core Wallenberg empire industrial company, to complete a full takeover of the Swedish medical technology group Gambro received an important boost yesterday when the Gambro board officially backed the offer. which valued the target company at more than SKr18bn

Incentive, already Gambro's biggest shareholder, bid SKr155 share earlier this month for the majority of the stock it did not hold, as part of a strategic move to make medical

technology its main business.

The bid represented a premium of more than 32 per cent over the average Gambro share price in the six weeks running up to the offer. After advice from UBS Securities, the board said it judged the premium to be "adequate" and recommended shareholders to accept Incentive's offer. It added that a deal between Incentive and Gambro's other main

shareholder, which led to Incentive holding more than 70 per cent of Gambro's voting rights, meant a competing offer was unlikely. The bid expires at the end of February. Hugh Carnegy, Stockholm

AssiDomän in US deal

AssiDomän, the Swedish forestry group, and Temple-Inland of the US yesterday announced a rare transatlantic alliance to pool marketing information and co-operate in research in corrugated packaging materials, a core product area for both groups. The companies have a combined annual corrugated production of 3.3m tonnes and are respectively the third

largest producers in the sector in Europe and the US.

The alliance – which does not involve financial commitments - is between AssiDomān's packaging division and Inland Container, a Temple-Inland subsidiary. The deal, the first of its kind for the two producers, will enable Assi and Inland to serve the growing international need of their customers in the packaging industry.

E. Merck predicts growth

E. Merck, the German chemical and pharmaceutical group. expects its group profit for 1995 to show a "significant rise" from the previous year. The company did not release a specific figure. Merck, which floated shares in October, said its 1994 group net profit was DM257m (\$173.6m).

The group's 1995 group worldwide sales rose 10.8 per cent to DM6.27bn from DM5.66bn a year earlier. Merck said 1995 sales in its pharmaceuticals area grew 14 per cent from a year ago. Sales in the laboratory area were up 16 per cent, largely because of the first-time inclusion of new units, the company said, calling developments in the sector "positive." However, sales in Merck's special chemicals unit "stagnated because of varying developments in separate business areas" AP-DJ, Darmstadt

■ Ferruzzi Finanziaria (Ferfin), the Italian holding company, said yesterday that 71 per cent of its L953hn (\$599m) rights issue had been taken up in the market. The outcome will satisfy Mediobanca, the Milan merchant bank, which pushed the capital increase through in defiance of holders of 20.5 per cent of the capital, led by the banking group San Paolo di Torino. Rights not purchased will be traded on the market

between February 5 and February 9. Mediobanca also launched its obligatory offer for 158m shares in Ferfin yesterday. The offer will run until March 14. Mediobanca is expected eventually to hold about 15 per cent of the equity. John Simkins, Mi

■ GEA, the German process technology group, has bought John Simkins, Milan

Barr & Murphy, the UK-based specialist dryer manufacturer, which is to be merged with Rosin Engineering, GEA's existing UK operation. No price was disclosed. Barr & Murphy, which has operations in Canada, recorded sales last year of around DM30m. It claims to be the world leader in the manufacture of starch industry dryers. GEA, which faces strong competition from the APV, the UK-based group, and Alfa Laval of Sweden, said it hoped the new operation would become the leader in the flash dryer market.

GEA is expected to report 1995 sales of about DM4.2bn (\$2.84hn) and hopes to see "double-digit growth" on its 1994 net Michael Lindemann, Bonn

Spanish TV head

(registered under the laws of the Republic of Hungary)

announced on 14 December 1995, has been extended until 16 February 1996.

The cash offer for Pharmavit Shares and Pharmavit GDSs is on the following basis:

For each Pharmavit Share For each Pharmavit GDS

US\$ 12.47 in cash

US\$ 62.35 in cash

As set out in the offer document dated 19 December 1995, Bristol-Myers Squibb intends to apply to the Budapest Stock Exchange for the withdrawal of Pharmavit Shares from trading. In order to comply with proposed new regulations governing withdrawal of shares from trading (expected to be published by the Budapest Stock Exchange shortly), Bristol-Myers Squibb's cash offer for Pharmavit Shares and Pharmavit GDSs has been extended and will now be open for acceptance until 16:00 (Budapest time), 15:00 (London time),

Save as amended by this notice, the terms and conditions of the extended offer remain as set out in the offer document dated 19 December 1995.

The Board of Directors of Pharmavit has approved the publication of this notice.

If you are in any doubt as to what action you should take, you should contact one of the following:

Financial adviser to International Broker to the offer

Schroders 120 Cheapside London EC2V 6DS Tel: +44 171 382 6000

787 7th Avenue New York

Financial adviser to Bristol-Myers Squibb Pharmavit Shares

Creditanstalt Securities

Nagysándor József utca 10 1054 Budapest Tel: +36 1 269 0711

Receiving Agent for Pharmavit GDSs

The Bank of New York 46 Berkeley Street London W1X 6AA Tel: +44 171 322 6338

Tender and Exchange Dept. 101 Barclay Street New York New York 10286 Tel: +1 800 507 9357

APV Rt, the state privatisa-

through an international private placement over the next Hungary is to float and sell off a majority stake in Borsodchem, its second largest chemical company, to institutional investors, including the European Bank for Reconstruction

> The price range for the offering - which is expected to be one of Hungary's largest this year - has been set at between Ftl.400 and Ftl.800. There will also be domestic and employee

offerings and a capital increase. The total value of the offering is estimated at between \$50m and \$60m, with proceeds to the company, which is also selling off some of its own shares, of \$28m-

Although highly profitable, some analysis have raised concerns over the company's envi-ronmental liability and struc-

coincides with an upturn in investor confidence in Hungary's commitment to reform, following a spate of large privati-

The

Bristol-Myers Squibb Company hints at flotation Cash Offer

Pharmavit Gyógyszer-és Élelmiszeripari Részvénytársaság

Bristol-Myers Squibb Holdings Limited, a wholly-owned subsidiary of Bristol-Myers Squibb Company, hereby gives notice that its offer to purchase all of the shares of Pharmavit, par value HUF 100 ("Pharmavit Shares"), including all Pharmavit Shares represented by Global Depositary Shares ("Pharmavit GDSs"), formally

(representing one fifth of a Pharmavit Share)

10:00 (New York time) on 16 February 1996, unless further extended.

Bristol-Myers Squibb and

and Receiving Agent for

tion agency, aims to reduce its stake in the company from

around 88 per cent to less than Part of the stake will be sold

two weeks, it was announced yesterday. West Merchant Bank, the investment banking arm of Germany's WestLB, and HSBC Investment Bank, part of Hongkong and Shanghai Banking Corporation, are joint global co-ordinators.

Hungary to sell stake in chemicals concern

The company produces PVC and MDL a polymer used in the construction industry. Yesterday it reported unaudited net income of Ft5.27bn (\$37.6m) on sales of Ft29.2bn in

the first nine months of last

tural problems.

However, the offering

sation deals late last year and an improving economic out-Budapest stock

New York 10019 Tel: +1 212 492 6000 The contents of this announcement, for which Bristol-Myers Squibb Company and Bristol-Myers Squibb Holdings Limited are responsible, have been approved by J. Henry Schroder & Co. Limited, which is regulated by the Securities and Futures Authority Limited in the United Kingdom, for the purposes of Section 57 of the Financial Services Act 1986.

exchange soared 64 points yes-terday to close at 1,870.

INTERNATIONAL COMPANIES AND FINANCE

NAB ahead 11.8% but warns on future growth

National Australia Bank the largest of the country's nationwide banks, yesterday warned that slowing economic condi-tions in the three geographics areas where it operates could

peg the institution's future profits growth.

The bank unveiled an 11.8 per cent increase in profit after tax to A\$513m (US\$378m) for the first quarter of the year, to end-December. Earnings per share were 7.5 per cent higher at 35.9 cents.

But Mr Don Argus, managing director, said economic activity was slowing in all areas where the bank was active - Australia, the UK and, since last year, the US - and that competition was intensifying as demand for credit fell. He said that the bank expected some improvement in the busi-

1996, but "conditions will generally be tough for most of the

current year".
"Banks are only the messengers for the economy. If your economy slows, then obviously our opportunities slow," he

meeting, meanwhile, Mr Bill Irvine, chairman, emphasised the bank's continued interest; in expanding its operations into the south of England. "We do have expansion thoughts in mind, particularly in the south of England where we are not strongly represented, and in part of the US where we may be able to use Michigan as a stepping-off point," he said. NAB acquired Michigan National, its first US purchase,

As far as the Asia-Pacific region was concerned, the bank was "continually reviewing our performance and strategies. In the past, NAB has pointed to the problems in gaining entry to Asian mar-kets, but said they remain part of group strategy!

The first-quarter figures showed a rise in the charge for bad and doubtful debts, to A\$58m compared with A\$38m a year ago, and NAB said that the underlying profit increase before tax and doubtful debt provisions - was 15.1 per cent, at A\$839m. At the after-tax level, Michi-

gan National made a A\$25m contribution, which was said to be "in line with expecta-Net operating profit from the Australian region was up by 3.6 per cent, to A\$343m, but the

UK and frish banking interests saw a 18.2 per cent fall from driven by the worsening eco-nomic climate and more strin-A\$91m to A\$79m. NAB said gent provisioning within its bad and doubtful debt charges

The bank's shares closed 11 In the last full year, NAB Australian stock exchange.

operating in the second half of 1995. Earlier this week, Mr Bob

Mansfield, the new managing

director of the group, reas

sured investors about problems associated with moving operations there, saying that

stress on the plant by a large

Saturday edition of the Sydney

Morning Herald had been

Inca Kola COMPANY PROFILE National Bank of Australia rivals in Main listing Historic P/E . 9.5

7 60 7 E



posted a 15.3 per cent rise in profits, to A\$1.97bn.

ahead of US 'cola wars'

Inca Kola, the Peruviso cols drink; outsold its international rivals Coca-Cols and Pepsi Cola in Peru last year, in spite of the massive advertising campaign the US groups unleashed in Latin America as part of the "cola wars". With Latin American per

capita consumption of soft drinks about one-third that of the US, the southern continent is an attractive target for the northern bottlers.

Latin America accounts for about a quarter of Coca-Cola sales worldwide, second only to the US; and Pepsi aims to increase its continental market share from 20 per cent to about 35 per cent by

But in Peru, Inca Kola is holding the giants at bay.
J.R. Lindley, the Peruvian
company which invented the
nation's favourite soft drink, has just celebrated 85 years of existence. Founded in 1910 by Joseph Robinson Lindley, it remains a family company.

However, Mr Johnny Lindley, grandson of the founder, is presiding over large expansion moves. The company will invest some \$17.5m in the next couple of years - \$10m on con-struction of a plant for non-re-turnable plastic bottles south of Lima, the remainder on modernisation of its Rimac bottling plant.
The outlook for the Peruvian

soft drinks market is bright, according to Mr Lindley. After seven years of depressed and (Peruvians cut down sharply on soft drinks although not on beer - when incomes are squeezed), 1995 saw record sales for Inca Kola of about \$110m: that compares with \$43m in 1993 and \$82m in 1994. 1995 group profits will be about \$12m.

However, Peru's national soft drink has always been manufactured from imported essential oils. Coca-Cola's "secret" ingredient, meanwhile, has traditionally been extract of coca leaf, purchased from Enaco, Peru's state marketing entity for the small

COCS. inca Kola is already being bottled under licence in Ecuador, Bolivia and the US (in Florida, California, New York and New Jersey, which have large Peruvian

communities).
At home, J.R. Lindley is developing a ready-bottled rum cola drink with 11 per cent alcohol content. It, is also about to launch a diet version of Inca Kola

J.R. Lindley's non-voting shares have been among the best recent performers on the Lima stock exchange? From the 1 new sol issue price in 1993, they climbed on 1994 results to more than 5 new sol before falling back, in line

with the general index, to today's 8.65 new sol. Given its recent performance, J.R. Lindley has attracted interest from outsiders looking to acquire either a formal stake or to introduce the rather old-fashioned company to the international capital markets.

"We'd like to keep going as an independent family business," says Mr Lindley. "Of course, if we need financing in excess of what the local market can provide, we'll look at possibilities."

Dow Chemical up despite flat sales

Dow Chemical, the US chemical producer, reported that sales had slowed in the fourth quarter, with operating income up 28 per cent to \$663m on unchanged sales of \$4,5bm. In the third quarter, sales were up 16 per cent. However, like its rival chemical company Du Pont earlier

this week. Dow said prices had begun to stabilise by the year-end, having weakened due to inventory build-up from the mid-year. Dow said it expected another good year in 1996. Earnings per share for the quarter were \$1.63, up 41 per cent before extraordinary items. For the full year, earnings were \$3.27 per share before special items, a rise of 152 per cent.

In the final quarter, the chemicals and performance products division increased its operating income by 40 per cent to \$285m, with higher prices for caustic soda, propylene glycol and ethylene glycol. The plastics division raised profits by 14 per cent to \$476m. The energy division made a loss of \$24m, due mainly to the expiry of two large supply contracts in Texas the previous year. Agricultural chemicals saw a rise in volume of 10 per cent. Tony Jackson, New York

Canada's BCE slides 33%

Problems at its main telecommunications unit reduced 1995 earnings at BCE, Canada's international telecommunications group, to C\$782m (US\$571m), or C\$2.23 a share, down 33 per cent from C\$1.2bn, or C\$3.52, in 1994, although total revenue rose 13 per cent to C\$24.6bn from C\$21.7bn.

Bell Canada, the group's largest subsidiary, contributed profits of \$502m, down from \$721m. Bell Canada met stiff competition in the long distance market and only recently won an increase in regulated local rates. The company is also restructuring to reduce costs.

BCE's fourth-quarter profit was C\$289m, or 86 cents a share, down from C\$318m, or 95 cents, on revenue of C\$7.4bn, against C\$6.2bn. The 1995 contributions from Northern Telecom BCE's 52 per cent owned equipment manufacturer, and BCE Mobile, the cellular unit, were higher.

Sony and Sanyo in LCD link

Sony and Sanyo are joining forces in the production of liquid crystal display panels, highlighting moves to share the burden of investing in LCD panel production amid growing competition. The tie-up between the Japanese companies also reflects an attempt by the two companies to catch up in a promising area where both have lagged behind other companies, such as Sharp. Sony and Sanyo will pool their research and development resources to develop and produce low-temperature polysilicon thin-film transistor LCD panels, which will be significantly cheaper to produce than the current high-temperature product. *Michigo Nakamato, Tokyo*

Newcrest Mining tumbles

Newcrest Mining, the Australian goldminer, announced a sharply-reduced profit after tax of A\$12m (US\$8.84m) for the six months to end-December, down from A\$26.6m in the same period a year earlier. Earnings in the December quarter were depressed, mainly because of lower gold production at the Boddington mine in Western Australia, and the company warned that "operating earnings will be under pressure in the second half of this financial year as the company focuses on new projects which will underwrite profits growth over the

Reverse at Highlands Gold

which is controlled by Australia's MIM, said that net profits fell to K1.29m (\$963,000) in the first half, compared with just over K4m in the same period a year ago. The company said the weaker result reflected higher costs at the Porgera goldmine and increased depreciation and exploration expenditures, partly offset by higher revenues, higher US dollar gold prices and the benefit of a devalued kina.

Amcor completes US buy

Amcor, the Australian paper and packaging group, yesterday continued its US expansion, announcing that it had acquired Anie Paper, a Chicago-based distribution company. It distributes corrugated fibre boxes and industrial packaging products into the Chicago market, and has annual sales of about A\$40m. No price was disclosed.

Westfield Trust ahead

Westfield Trust, the Australian property developer, announced an 18.3 per cent increase in after-tax profits for the year to end-December, to A\$187.6m (US\$138.2m). The company, which specialises in shopping centre developments, said total assets were up 14.3 per cent, to A\$3bn. It said it expected first-half profits in the current year to be above those in the same

Kiwi Travel plans float

No-frills carrier Kiwi Travel International Airlines said it planned to go public in September this year and was considering a listing on the New Zealand Stock Exchange. Mr Ewan Wilson, 29-year-old chief executive of the company, expected Kiwi to increase staff to 300 by July 1997, from 115 at present and just eight a year ago. It has developed from one-off charters to 14 scheduled flights a week to Australian cities from Hamilton and Dunedin. in the south.

Reuter, Wellington

Fairfax plans indexed bond to fund print plant

John Fairfax, the Australian newspaper publisher, yesterday unveiled plans to fund its new Chullora printing plant, in Sydney's western suburbs, through an innovative A\$105m (US\$71m) indexed bond issue.

The indexed bond market in Australia has recently been widening in scope - for example, by moving from the which will be rated AAAr by original government issues to Standard & Poor's as the result

However, this is thought to be the first time that a corporate borrower has used the market to fund a specific

The Fairfax issue takes the form of 20-year annuities pegged to the consumer price index, maturing in 2015. The bonds will split into two classes: the class A bonds,

private sector infrastructure of credit enhancement by AIDC, the finance house, and the class B bonds, which will

The advisers to the issue said they expected to issue mainly class A bonds, as "the investor market for long-dated corporate CPI exposure has not yet developed sufficiently" and the class B bonds depended solely on Fairfax's credit. Mr Peter Delaney, managing director of Oxley Corporate

Finance, which is handling the

issue along with Bankers Trust Australia, acknowledged that the issue would "stretch" Australia's indexed bond market. But he added that local institutions were becoming more pro-active, and receptive to less conventional The issue will be priced at a

Earnings per share 1996: A\$1.37

All Ordinaries Index

To the last of the

Current share price and A\$12.59 7

yield equivalent to 30-85 basis points over the Commonwealth Government's 2010 capital indexed bond. The Chullora plant began

responsible for some delayed deliveries. Fairfax shares closed 8 cents higher at A\$2.91 on the Austra-

lian stock exchange yesterday.

Japanese brewers are feeling the draught

Competition at home has given companies the taste for overseas expansion, says Emiko Terazono

world with electronic gadgets and cars, will Japan now flood it with beer? The country's leading beer companies hope so. Faced with increasing pressure in the domestic market, they are pumping up their overseas

Their ambitions are global. They include Europe, where Sapporo Breweries expects to triple beer sales this year following the start of a joint venture with UK brewer Guinness to manufacture its brew

In China, Asahi Breweries is acquiring two local producers. making it the country's largest brewer with a 3.7 per cent market share. Asahi expects to start manufacturing its mainstay "dry" beer there this year.

This aggressive international expansion has been prompted by increased competition in a maturing domestic market. In the past, beer companies could afford to neelect overseas markets as the Japanese market, with its closed distribution network and steady demand growth, offered solid profits.

However, margins are being squeezed due to slower growth, increasingly sophisticated consumer tastes, intensifying competition, and deregulation of the distribution system. . "The beer companies face an

increasingly tough environment," says Ms Emi Ueji. industry analyst at Moody's Investors Service, the international credit rating agency.

The Japanese beer market, the world's fourth largest,

fter swamping the grew only 4.3 per cent last year, and Moody's expects the annual growth rate of beer demand in Japan to remain at

around 1 to 2 per cent over the next few years. Slower demand is partly caused by changing demographics, as the baby boomer consumers, matures. Alcoholconsumption is heaviest among consumers between the ages of 30 and 45, but the market is expected to shrink as the baby boomer generation

iversifying tastes among consumers are also eroding demand. More Japanese consumers are drinking wine and other alcoholic beverages. A recent hit among young drinkers, especially women, has been ready-made alcoholic cocktails

This growing trend is forcing brewers to broaden the number of brands, reducing their economies of scale.

Brewers' margins have also been hit by a change in the retail law which increased imports and triggered widespread discounting of the domestic brews. In 1989, the government opened the alcoholic beverage market to large superstores, allowing retailers with floor space of more than 10,000 square metres to sell such products.

Since then, consumers have increasingly bought beer in supermarkets. This has eroded brand loyalty, because previously distributors supplied the

NOTICE OF EARLY REDEMPTION

Union Bank of Switzerland Finance N.V.

U.S. \$300,000,000

8.32% Guaranteed Notes due 2000

Union Bank of Switzerland

NOTICE IS HEREBY CIVEN in accordance with Condition 9 (b) of the

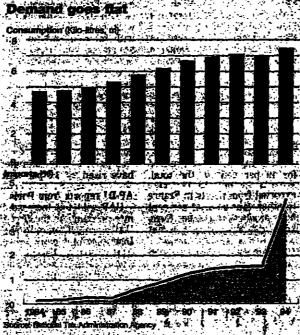
NOTICE IS HERCEST CIVEN in accordance with Condition 9 (b) of the Notes that all outstanding Notes will be redeemed on February 16, 1996 (the "Redemption Date") at a price equal to 100 per cent. of their principal amount (the "Redemption Price"), interest on the Notes due on or prior to the Redemption Date shall be payable only upon sunreader of Coupons for such interest at any of the paying agencies listed below, hereest on the Notes shall cease to accrue from and after the Redemption Date.

Payment of the Redemption Price will be made more transposition and

snau cease to accrue from and after the Redemption Dute.

Payment of the Redemption Price will be made upon presentation and sartender of the Notes, together with all appurentant Coupons maturing subsequent to February 16, 1996, at any of the paying agencies listed below. In the event any such unmanured Coupons that to be presented, the amount of the missing unmanured Coupons will be deduced from the Redemption Price.

Notes and Coupons will become void unless presented for payment within a period of tea years in the case of the Notes and five years in the case of the Coupons, respectively, from the Relevant Date (as defined in Condition 8 of the Notes).



same brand of beer by home delivery. Discounting has also been encouraged by the loosening of ties between brewers and distributors, prompted by the enforcement of the anti-monopoly law by the country's Fair Trade Commission, the antitrust watchdog. In the past, manufacturers fixed retail prices by threatening to stop supplies to retailers if they failed to apply the "suggested retail price", or to distributors if they sold their products to

possible. Finally, Japanese brewers have faced an onslaught of imported beer encouraged by the yea's appreciation. Aside from imported beer by leading US and European makers,

European Coal and Steel

Floating rate notes 2001

Notice is hereby given that for

1996 to 26 July 1996 the notes

payable on 26 kely 1996 will amount to ¥680,923 per

¥700.000.000 pote.

Community

(g)

discounters. This is no longer

supermarket chains, using their bulk purchasing power, have forged links with overseas beer manufacturers to

market their own beer. Last year, beer imports rose 20 per cent to \$298m, and increased 177 per cent in volume terms. Such growth is set to continue.

"We expect [1994's] imports' 43 per cent share to rise to about 7 or 8 per cent in 1996." savs Ms Patricia Horvath at UBS Securities.

The Japanese groups have responded by cutting costs, expanding their product line-up and globalising their operations. The most effective measure would be to cut production, sales and promotion costs, but there are limits. On the production side, the government has unofficial guidelines that insist on using expensive domestic malt. Cost cutting by reducing per-

sonnel is virtually impossible in Japan. Moreover, the brewers' international expansion will not

immediately boost earnings. While beneficial in the long term due to the significant growth potential - especially in south-east Asia and China industry analysts point out that the costs of setting up plant and distribution networks will be burdensome, at least mitially.

Aggressive globalisation ses risks on the medium term," says Ms Ueji at

The Korea Development Bank (Established in the Republic of Korea under the Korea Development Bank Act 1953 as amended)

> U.S. \$200,000,000 Floating Rate Notes due 1997

For the six month period 25th January, 1996 to 25th July, 1996 the Notes will carry an interest rate of 5.5% per annum with a coupon amount of U.S. \$2,780.56 per U.S. \$100,000 Note, payable on

Listed on the Luxembourg Stock Exchange Bankers Trust Agent Banl

Company, Hong Kong U.S. \$75,000,000

SWEDBANK (Sperbankemas Bank) Subordinated Floating Rate

BRITANNIA **BUILDING SOCIETY** Lastre of up to £50,000,000

Floating Rate Notes

Due 2005

In accordance with the terms and in accordance with the terms and conditions of the Notes, notice is breiby given that for the three month interest period from (and including) 25th Jamesry 1996 to (but excluding) 25th April 1996 the Notes will carry a rate of innecest of 6.93667 per cent. per manum. The relevant interest payment due will be 25th April 1996. The coupon amount per £1.000.000.00 Note will amount per Linution room von be £17,97.18 psymble agains strender of Coupen No; 25, Hambros Bank Limited Agent Bank

Final maturity of the warrants from the 2 1/2 % Deutsche Mark Bonds with Warrants attached of 1986/1996, issued by Wella International Finance B.V., Amsterdam, the Netherlands, and unconditionally and irrevocably guaranteed by Wella AG, Darmstadt, Germany exercise is effective only if the subscription



Pursuant to the Conditions of Warrants; the subscription rights conterred by the abovementioned warrants may be exercised until March 18, 1996, inclusive. The warrants will be invalid after March 18, 1996.

Warrantholders may, until the subscription period ends at March 18, 1996, exercise their subscription rights for Wella AG nonvoting preference shares pursuant to the Conditions of Warrants. The subscription price is DM 695 per preference share of par value DM 50. The preference shares are entitled to the full dividend for the current financial

To exercise subscription rights, the warrantholder must file with Deutsche Bank AG. Frankfurt am Main (2s warrant agent), through a receiving agent, written notice of exercise on a form available from the receiving agents. The notice of exercise is binding.

When notice of exercise is filed, the subscription price must be paid and the warrant presented with all receipts attached. Notice of price and the warrant have been received by Deutsche Bank AG, Frankfurt am Main, by Monday, March 18, 1996 at the latest. Warrantholders wishing to exercise their subscription rights are requested to contact their depositary banks, from which the necessary forms may also be obtained, as soon as possible. For legal reasons, notice of exercise received after the above-mentioned date cannot be accepted.

In accordance with stock exchange practice, the warrants will be traded and officially quoted on the Frankfurt Stock Exchange for the last time on March 11, 1996.

The Deutsche Mark bonds from the abovementioned issue will mature on

March 18, 1996 and will be repaid at par. Dannstadt, January 1996

Wella AG

The Board of Managing Directors

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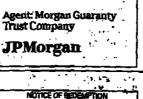
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AMERICAS NEWS DIGEST

Hasbro shares up as Mattel bid snubbed

Shares in US toymaker Hasbro rose almost 40 per cent in early trading yesterday, after the company rejected a \$5.2bn takeover bid from rival Mattel. Hasbro was up \$12% at \$42% while Mattel, manufacturer of the Barbie doll, was down \$1/2 at

Hasbro's board rejected the offer - of 1.67 shares in the merged company for every Hasbro share - because of concerns that the deal would not be approved by anti-trust authorities. Mattel said yesterday it had had anti-trust lawyers working on the proposal for months and was convinced the merger would clear anti-trust hurdles. Analysts said the merger would create a company with estimated 1996 sales of \$7.3bn and a 30 per cent share of the \$13bn US toy market. AFX. New York

Coca-Cola result fails to impress

Coca-Cola, maker of the soft drink, increased annual earnings by 20 per cent in 1995. Mr Roberto Goizueta, chairman and chief executive, said: "This was a strong year all round . . . with record earnings, record case sales volumes, record market share and an outstanding total return of 46 per cent for our share owners."

However, the shares fell \$1% in morning trading to \$73%, as the market has come to expect Coca-Cola to beat predictions. In the fourth quarter, sales rose 8 per cent to \$4.33bn, and operating income was 9 per cent higher at \$949m. Net income was 14 per cent ahead at \$648m, with earnings per share up 18 per cent to 52 cents, reflecting a 2 per cent reduction in the number of shares in issue. During 1995 the group bought back 29m shares at an average \$61.

For the full year, revenues rose 11 per cent to \$18bn and operating profits by 10 per cent to \$4.09bn. Net income was up from \$2.55bn to \$2.99bn, and earnings per share from \$1.98 to \$2.37. Maggie Urry, New York

P&G ahead 11% in second term

Volume gains and cost control helped Procter & Gamble, the consumer goods group, increase second-quarter earnings per share 11 per cent from \$1.06 to \$1.18. However, the shares fell \$3 to \$85%, more than giving up Wednesday's \$2½ gain from news of the approval of P&G's olestra, a calorie-free fat product. In the three months to December 31, net income rose 11 per cent, from \$750m to \$836m. Mr John Pepper, chairman and chief executive, said the results reflected "solid growth".

MCI buys satellite TV slot

MCI Communications, the long-distance phone company, moved into television yesterday, paying \$682.5m at a government auction for a satellite-television slot that can blanket the US with TV signals. The carrier - which is aligned with Mr Rupert Murdoch's News Corp - outbid Tele-Communications Inc, the nation's largest cable-TV operator, and EchoStar Communications, a small Colorado

provider of satellite-TV entertainment.

The price paid at the Federal Communications Commission auction was at the high end of expectations. About 1.2m households receive direct broadcast satellite (DBS), a fast-growing service that also can transmit voice and data signals. It competes with cable TV.

Schering-Plough pleases market

Shares in Schering-Plough rose \$11/4 to \$53% vesterday morning as the US pharmaceuticals group beat market expectations with a 17 per cent rise in net income in the latest quarter. The company's results came on the back of an 11 per cent increase in sales to \$1.29bn. The growth was driven by a 14 per cent increase in pharmaceutical sales, based on the respiratory drug Claritin and a range of anti-infective and

After-tax profits for the quarter were \$239m, or 66 cents a share. For 1995 as a whole, net income slipped 4 per cent to \$887m, or \$2.40 a share, as the company reported losses of \$165m on a disposal. Sales in 1995 reached \$5.1bn, a rise of 13 Richard Waters, New York

Revamp puts CN C\$1.1bn in red

Heavy restructuring charges took the newly privatised Canadian National Railways into a C\$1.1bn (US\$804m) loss for 1995, equal to C\$13.56 a share. The special charges totalled almost C\$1.5bn. Continuing operations excluding special items showed a profit of C\$362m or C\$4.50 a share, up from C\$263m or C\$3.29 a share in 1994.

For 1995 operating revenues were C\$4.1bn, down 4.8 per cent from 1994, mainly because of lower grain movements. CN was sold to the public in North America and Europe late last year

NOTICE OF FULL REDEMPTION

To the Holders of

Bank of Tokyo (Curação)

Holding N.V.

U.S.\$200,000,000

8.625 per cent. Subordinated Guaranteed Bonds Due 2001

NOTICE IS HEREBY GIVEN to the holders of the U.S. \$200,000,000 8.625 per cent. Subor-dinated Guaranteed Bonds due 2001

(the "Bonds") of Bank of Tokyo

(Curação) Holding N.V., a Nether-lands Antilles corporation estab

lished in Curação (the "Company"), that pursuant to Condition 6(b) of

the Terms and Conditions of the

Bonds, the Company has elected to

redeem, on the next Interest Pay-

ment Date falling on February 27, 1996, all of the Bonds then outstand-

ing at the principal amount thereof.

of each of the Bonds will be made on

or after February 27, 1996 upon pre-sentation and surrender of the

Bonds, together with all coupons

appertaining thereto maturing after February 27, 1996 at the principal office of The Bank of Tokyo Trust

Company, 100 Broadway, New York, New York 10005 or at the

principal office in the city indicated of any of the following Paying

Bank of Tokyo

The Bank of Tokyo, Ltd.,

The Bank of Tokyo

The Bank of Tokyo, Ltd., London

(Luxembourg) S.A., Luxembourg

nt of the principal amount

Damages award puts Loewen in jeopardy

Loewen Group, one of North America's biggest funeral that its own life has been put in jeopardy by the fall-out from big civil damages awarded last autumn by a Mississippi jury.

Loewen's shares lost almost a third of their value in early trading on the Toronto stock exchange vesterday after the Vancouver-based company warned that it may be forced to file for bankruptcy protec-tion. The shares stood at C\$23.13 at midday, less than half last year's record C\$56. The warning followed a rul-

ing by the Mississippi supreme court that requires Loewen to post a bond of US\$625m if it wants to appeal last November's \$500m damages award. Loewen had offered to post a \$125m bond, but Mississippi law requires a surety bond equal to 125 per cent of the original judgment.

Loewen has expanded its revenues more than tenfold since the late 1980s by buying small family-owned funeral businesses across the US and Canada. The company operates 814 funeral homes and 179 cemeteries.

Its current problems stem from an acquisition six years ago in Jackson, Mississippi. Shortly after the deal was concluded, Loewen was sued for breach of contract by Mr Jeremiah O'Keefe, a prominent local businessman and civic leader who operated a rival funeral services and insurance group. Mr O'Keefe alleged the Loewen company had reneged on an agreement to sell his

group's insurance policies. Mr O'Keefe later broadened his claim to include antitrust, fraud and other allegations. During last year's seven-week trial, Mr O'Keefe was held up as a local hero fighting for his family and livelihood. By contrast, Loewen was

portrayed as a greedy foreign company seeking to exploit family businesses in one of the poorest US states. The jury awarded Mr O'Keefe \$100m in compensation and \$400m in punitive damages. Loewen said it was optimistic that these amounts would at least be reduced on appeal.

Under this week's court ruling, the plaintiffs would be able to attach Loewen assets if the company cannot raise the bond by January 31. Furthermore, obligations related to the bond could trigger defaults bank credit lines. The company's long-term debt totalled US\$687m last September.

Loewen said it would continue "to explore options to raise financing to support the bond" but that if its assets and operations were at risk, it might be "in the best interests of its continued operations. shareholders and creditors to place the company under bankruptcy protection".

AT&T rises 12% before break-up charges

AT&T, the US long-distance phone company, produced a 12 per cent rise in net income to \$5.5bn in the last full year before its impending break-up. However, extraordinary charges associated with the break-up, as previously announced, pulled earnings

a loss of \$2.7bn for the final quarter. Mr Robert Allen, chairman, said: "Short-term profitability is important, but long-term growth and financial strength are essential."

Fourth-quarter earnings

down to \$139m for the year, or

before charges were also up 12 per cent at \$1.5bn, or 94 cents a share, slightly less than the market expected. The volume of long-distance calls in the quarter was up 8.2 cent to \$792m.

per cent, helped by growth in business calls from outside

the US. The company said its volume growth was "at or near" growth for the domestic market overall.

Sales of telephone network equipment rose 23 per cent in the quarter to \$4.1bn. This was due to a strong rebound in sales to the local Baby Bell phone compar Previously, AT&T had said a

central reason for splitting its equipment business from phone services was reluctance by the Bell companies to buy from a potential competitor, given the approaching deregu-lation of the US telecoms industry.

In wireless services, the number of subscribers rose 37 per cent in the quarter to 5.5m. Wireless revenues rose 26 per



Robert Allen: long-term growth and financial strength essential

The equipment business saw growth in demand for cordless phones. However, this was partly offset by a drop in sales of corded phones

and answering machines NCR, the computer business which AT&T is also to spin off, saw its revenues collapse by 28 per cent in the quarter to

the year to \$4.7hm. This was largely due to the halting of manufacture of personal computers, part of a restructuring undertaken in the third

guarter. NCR made an operating loss of \$79m in the quarter, com-pared with a profit of \$45m the year before. Operating losses for the year, excluding restructuring charges of \$1.6bn in the third quarter, were \$580m, compared with a profit of \$2m in 1994.

AT&T said the fourth quarter loss, smaller than in the quarters immediately before, had been helped by better product margins and lower overheads due to restructuring.

For the full year, revenues rose 6 per cent to \$79.6bn. AT&T's shares fell \$1% to \$64

Fourth-quarter price falls hold back US Steel

The steady decline in steel prices in the US during the second half of 1995 ate into the profits of US Steel in the final three months of the year, reversing the earnings growth notable in earlier quarters. Along with other steel-

makers, however, the US's big-gest producer indicated that orders had been strong in recent weeks, suggesting that a recently announced price rise should hold.

US Steel's operating income during the fourth quarter of 1994 slipped to about \$28 per ton of steel shipped, from \$44 a ton a year before.

The company blamed the decline on falling prices in the spot market for steel, as well as a less favourable product

That was in part because less-profitable exports topped 500,000 tons in the period, out of total shipments of 3m tons. Inland Steel, another of the US's leading integrated steel producers, had registered a current quarter. "Our general

similar picture with fourthquarter results released a week

The sharp reduction in prices of flat-rolled steel led to a 6 per cent fall in sales from a year before, to \$602m, while shipments remained virtually unchanged at 1.29m tons. As a result, operating profits

at Inland Steel slipped to about \$17 a ton in the final quarter, from \$36 a ton the year before. However, the company indicated that it expected the deterioration to be reversed in the strong," Mr Earl Mason, the chief financial officer, said. "I personally believe the [higher] prices will stick." Mr Thomas Hisher chairman

of USX, US Steel's parent, said that the company's order book for flat-rolled steel "is expected to remain strong" in the first quarter of this year, especially in such important areas as the automotive, appliance and construction industries.

US Steel's after-tax profits for the quarter fell to \$61m. or 67 cents a share, from \$90m, or

\$1.11 a share, partly because of one-off charges of \$26m. For the full year, the company recorded net income of \$301m on sales of \$6.46bn; up from \$201m on sales of \$6.07bn in 1994. Earnings per share rose to \$3.41 from \$2.33.

inland Steel reported fourthquarter net income of \$24.9m. or 47 cents a share, down 30 per cent and 29 per cent respectively from a year before. Full year net income rose 37 per cent to \$146.8m while earnings per share climbed 49 per cent to \$2.69.

US airlines begin to feel benefits of cost cuts

restructuring charges of \$533m

before tax, largely to cover the

cost of early retirement pro-grammes for flight attendants

and ground staff. It also took a

\$26m provision for the unin-

sured costs of a crash in Col-

ombia last month - the air-

line's first fatal accident since

By Richard Tomkins in New York

Last year's fourth quarter and for that matter, the full year - marked a sharp turnabout in the fortunes of US airlines. The industry has been enjoying its most profitable period since the last peak in 1988, and most airlines' results have reflected this new wave of prosperity.

Some observers have attributed the profits increase to a rise in passenger numbers, fed by growth in the US economy. But this is only part of the story: according to the Air Transport Association, passenger numbers rose by less than 4 per cent last year, from 528m

More important was the airlines' efforts to stabilise, and in many cases reduce, capacity. Combined with the rise in passenger numbers, this resulted in fewer empty aircraft seats, increase fares and reduce the number of ruinous fare sales that had characterised previous years.

Simultaneously, the big US airlines have been making determined efforts to cut costs. Some have reduced employee numbers, others have succeeded in persuading employees to accept wage and benefit cuts: and all have gained from the industry's decision last

February to cap travel agents'

AMR, parent company of American Airlines, kicked off the industry's reporting season last week by reporting a healthy increase in underlving net income from from \$51m to \$91m for the fourth

US AIRLINES: 1005 RESULTS Delta Air Lines

Unfortunately, the company charges, and the figures reported at the bottom line showed an increase in net losses from \$129m to

On the plus side, AMR saw a 4.1 per cent increase in the mileage flown by passengers, and the airline said fares had been more stable than they had been for a considerable

But the company took

343 ********

Northwest Airlines was back of more passenger traffic and higher fares. Its figures were complicated by the accounting effects of an employee stock ownership scheme, but the company said that setting this aside, its net income would have shot up from \$48.2m to \$116.3m in the fourth quarter, excluding a \$49.9m property gain. The actual figure

reported was a more modest

increase from \$20.4m to One of the biggest

turnrounds came from Continental Airlines, which produced better-than-expected fourth quarter net profits of \$41m after reporting net losses. of \$523m a year earlier. After coming close to filing

for Chapter 11 bankruptcy last year, the airline changed course by dropping lossmaking, low-fare CALite operation and cutting back services to a profitable core. In the latest quarter, Continental had 7,000 fewer employees and 21 fewer aircraft than a year earlier. resulting in a big decrease in costs. Capacity was down by 15 per cent, but profitability was much greater, even allowing for the fact that the comparable period included restructuring charges of \$447m. UAL, parent company of

producing figures that disappointed the market. After preference dividends, it reported fourth-quarter net losses of \$81m, up from net losses of \$12m last time. As with AMR

United Airlines, the biggest US

Northwest, however, the UAL picture was muddled by a series of charges for aircraft retirements, early debt repayment and the accounting effects of the company's

employee ownership scheme Without them, UAL said, net profits would have shown an increase from \$67m to \$98m. a 46 per cent improvement - not least because of the wage savings that accompanied last year's employee buy-out.

Southwest Airlines, the low-cost, no-frils operator that has so often set the pace for the rest of the US airline industry, suffered a hiccup in its impressive growth in the last quarter of 1994, but the latest quarter saw it back in more confident form with an increase in net profits from \$20m to \$43m.

Finally, cynics might suggest that the best evidence of the industry's recovery was that even USAir managed to make a profit - its first for the fourth quarter and the full year since

Fourth-quarter net profits were \$38.4m against net losses of \$342m last time, partly withdrawal from the battle for market share on the east coast. Yet as USAir itself acknowledged, it still has hig problems. It has the highest labour costs of any large airline in the US, and unless Mr Stephen Wolf, its new chairman and chief executive can secure a costcutting agreement with its

labour unions, the airline's

outlook will look grim when

the next downturn arrives.

Barrick founder plans more active role overseeing the company's global expansion

Munk takes his mining group into a golden age

r Peter Munk, who founded Barrick Gold in Canada in 1983 and has seen it grow into the higgest gold producer outside South Africa, has been explaining why, at the age of 68, he has no intention of retiring and is taking a more active The Nontholders are hereby convened to a general meeting to be held at The Industrial Bank of Japan. Limited, London Branch, Bracken House, One Friday Street, London BC4M WA on 26 February 1996 at 10 Cham to consider the following accounts: role in the group.

He quoted a long list of companies run successfully by elderly men who either founded them or are the biggest shareholders. There was a great deal to be said for a company with a first-class young management team with an older owner to superimpose the entrepreneurial drive that all growing companies needed, he said. The last thing I want to do is retire - and it's the

last thing shareholders want." Barrick this month announced senior management changes which involved Mr Munk, chairman and chief executive officer, assuming direct responsibility for the company's expansion strategy.

Making his first public comment on these changes while visiting Barrick's operations in Chile. Mr Munk recalled that

for the past five years he had stepped back a little from Barrick while the rest of the management team worked to get maximum results from the large Goldstrike mine in Nevada, one of the biggest in the world and which provides most of the group's gold reserves, output and cash flow. During that period Mr Munk devoted more time to the Horsham oil-to-property company.

Following Barrick's change them to invest. A whole new energy to identifying further growth opportunities for the

did not have the time to grow. except by acquisition and then developing the acquired properties. However, in future, Barrick's growth would come from multi-faceted activity, includ-ing acquisitions. "We will use Goldstrike's cash flow and the strength of our share price to leverage our international

Barrick set up a \$1bn credit facility in December to help finance this expansion.

he company would also grow by exploration and development and it had increased the budget for this from \$15m in 1993 to \$100m this year, he said

decision, in 1994, to grow internationally rather than by diversifying into other metals and minerals. The recent change of name from American Barrick Resources to Barrick Gold reflected this change. Mr Munk pointed out that the global industry was changing fast. Countries that previously barred foreign companies were not energetically inviting

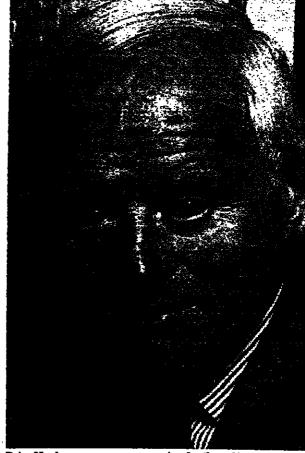
era was emerging for the gold industry and the leadership role played by South African companies for two generations would come to an end in 10 to 15 years. Barrick intended to take up and maintain that leadership role. Barrick has 10 producing mines located on three of the most prospective gold belts in the world. This month's management

changes also involved Mr John Carrington, who joined the group a year ago from Nor-anda, Canada's biggest natural resources group, stepping up to become chief operating officer with responsibility for all mining operations. This meant Mr Bob Smith, 64, president, would wind down his responsillities before retiring. Other Barrick executives

suggest one reason why Mr Munk is to play a more active role is so he can see if he can get along as well with Mr Carrington as he does with Mr Smith, who has been part of the Barrick management almost since the beginning.

Barrick's Goldstrike mine on which it depends heavily, is surrounded by land owned and mined by Newmont Gold, the rick in November saying it had violated a three-year land-use agreement between the two

exceeded its right to use Newmont land for disposal of ground water from mine dewatering operations. Barrick has counter-sued.



Peter Munk: sees a new era emerging for the gold industry

Mr Munk insisted this dispute did not herald a cooling of the previously friendly rela-tionship between the two companies, one that includes the joint development of deposits split by the boundary between their land holdings.

"We have a hell of a lot more in common with one another than this small issue we are

arguing about," he said. Mr Munk said technical staff from the two companies could not solve the differences and the top-level managements felt that they were not competent to make a decision, so it was being left to the court. -

Kenneth Gooding

The coupon for interest payable on February 27, 1996 should be detached and presented for payment in the usual manner. ON AND AFTER FEBRUARY 27, 1996 INTEREST ON THE BONDS WILL CEASE TO AC-

Basik of Tokyo (Curação) ficiding N.V. BY: THE BANK OF TOKYO TRUST COMPANY es Principal Paying Agent Dated: January 26, 1996

By: The Industrial Bank of Japan. Limited, Loudon Ber Correction Notice

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MORTGAGE SECURITIES (NO.3) PLC

£117,000,000 Multi-Class Mortgage Backed

Floating Rate Notes due 2035

£3,567.00 per Class A1 Note £0.00 per Class A2 Note £0.00 per Class A3 Note

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at 10.30mm to convenier the following agenda: 1, to peptice the original Terms with Conditions of the Notes with the Terms and Conditions dated 30

2 to seplace the original Note Trust Indenture with a Note Trust Indenture dated 30 No

Notice is hereby given that, pursuant to Condition 5(e) of the Notes, the Issuer shall redeem:

on the next Interest Payment Date, being January 31, 1996.

MORTGAGE SECURITIES (NO.3) PLC

Dated: January 26, 1996

Overzeese Bank US\$125,000,000 Floating Rate Notes 1997

The notes will bear interest at 6.30625% per annum for the period 26 January 1996 to 26 April 1996. Interest payable 26 April 1996 will amount to US\$1,568.80 per

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Lived on The Inversational Section Fachance of the United Kengdom and the Republic of Ireland Ltd.

of policy and a decision not to restrict operations to North America, the time came for him to devote more of his

company.
"We are determined that the entrepreneurial drive that created Barrick shall continue to shape our future. He said Barrick previously

Barrick would remain a gold company after the strategic

companies. Newmont claims Barrick has

إصكذا من الاحل

Takeover speculation continues although the likely cost limits the number of possible bidders

Standard Chartered share price falls back

By George Graham, Banking Correspondent

Standard Chartered, the London-based international bank, saw its share price fall back vesterday after saying it knew of no reason for a sharp rise on Wednesday.

The shares retreated to close at 636p, giving up much of their 43p gain in late trading. Although Standard Char-tered has been the object of bid speculation for months, most banking analysts believe its current price has made a take-over all but inconceivable. Standard Chartered's posi-

tion, with banking business in roughly 50 countries, many of them in the thriving AsiaPacific region, would be attractive to many banks with global

At current prices, the bank's market capital is about £6.2bn, and any takeover bid would be expected to add a premium. Book value, however, is only

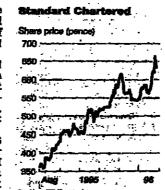
around £1.6bn, leaving an acquiring bank with roughly £4.5bn of goodwill to absorb. Mr Peter Toeman, banking analyst at ABN-Amro Hoare Govett, said: "Rather than absorb that goodwill, it might make more sense for an institution to buy a smaller bank in Hong Kong or grow its busi-ness organically."

Accounting systems vary from country to country, but this goodwill would still have

to be absorbed, either in one bite from the buyer's capital account or over a mumber of years through the profit and loss account.

For a British bank, it would be the capital account which would suffer. Banks must maintain Tier 1 capital, principally equity and reserves, worth a minimum of 4 per cent of risk-weighted assets.

But in practice, a ratio of 6 per cent is necessary in order to satisfy the Bank of England's regulators. That means, in effect, that any bank would need to have a Tier 1 ratio of more than 10 per cent to consider acquiring Standard This hurdle would eliminate



everyone but HSBC, but few bankers can see any logic in a bid by HSBC, whose operations Malcolm Williamson, chief

executive: \$6.2bp market value

Standard Chartered.

accounted for as a merger. But Standard Chartered's manageof openness to approaches. The roster of possible bidders mentioned to justify Standard's recent elevated share price includes large banks from virtually every region: Deutsche Bank, NatWest and Bank of America have been among the imaginative suggestions.

Some brokers believe, how ever, that the surges in the price reflect the fact that much of the company's stock is held by a relatively small number of shareholders. In addition, fund stakes since the shares joined

The day

Staley shortfall will hit Tate

Tate & Lyle, the sweeteners and starch producer, warned yesterday that profits from Staley of the US, by far its biggest earner, would fall sharply this year.

"Substantially lower margins" were expected at Staley because of the high costs of maize, its raw material, and competitive pressures, Tate told its annual meeting. Hedging of maize purchases and cost reductions would help offset the pressures, but profits would be below those in 1994. Tate's shares ended the day 8p down at 468p as some

analysts downgraded their Staley forecasts. But most forecasts of group pre-tax profits were left unchanged at between £300m and £315m after Tate said results for the year to September would broadly match last time's £311m.

Roderick Oran

Water Hall chairman ousted

In a rare show of shareholder power, a trio of brothers and their supporters have effectively ejected Mr Edward Weiss as chairman of Water Hall, the quarrying group formerly known

Voting by proxy prior to an extraordinary general meeting held yesterday, the three Abdullah brothers led a group of shareholders who carried the motion to oust Mr Weiss. They also passed a resolution to replace him with Mr Anthony Smith, chairman of the University of Wolverhampton. The vote followed a boardroom battle over strategy between Mr Raschid Abdullah, non-executive director and former deputy chairman, and the rest of the board.

Woolwich doubles French loans

Woolwich Building Society, the UK's third largest, said it was doubling its presence in France by acquiring the mortgage portfolio of Midland Bank's French subsidiary. Mr John Stewart, operations director, said the acquisition would lift the

value of its French home loans to about £1.5hn (\$2.3hn).
It follows the 1991 deal in which the society formed Banque Woolwich by acquiring the branches and operating assets of Banque Immobillere de Credit from Midland. Since then, it has administered Midland's French home loans portfolio for a

Holliday shares fall on warning

By Peter Pearse

Shares in Holliday Chemicals fell by more than a quarter in value yesterday as the speciality chemicals group announced that 1995 profits would fall below market expectations.

Analysis cut their forecasts for 1996 profits from about £23m-£24m to £14m (\$21.6m). Holliday's warning was the latest in a series of downbeat statements from chemicals companies including Albright & Wilson, Allied Colloids, British Vita, Laporte, W Canning, and Yorkshire Chemicals.

They have blamed sharply increased raw material prices, the inability to raise selling prices and softening in demand as a result of destock-

One chemicals analyst said that forecasts for half the companies in the sector have had to be revised downwards. Share price falls in the sector yesterday included British Vita - down 15p to 199p; and Yorkshire – down 22p to 282p. Holliday's warnings prompted a 45p fall in its share price to 119p.

It said underlying pre-tax rofits for 1995 would be £15.4m, against £19.3m in 1994. This was due to the rise in raw material prices, mostly felt during the second half. There would also be one-off

Unitech advances 45% helped by buoyant Japan

By Tim Burt

Unitech, the international electronic components and controls group, yesterday reported a 45 per cent increase in first half profits amid buoyant Japanese demand for its power supply equipment.

Pre-tax profits rose from £15.8m to £22.9m

(\$35m) as sales improved 20 per cent to £207.2m in the six months to November 30. Mr Peter Curry, chairman, said the improve-

ment had been fuelled by rising orders from Japanese manufacturers as they increased investment overseas.

Most of those orders were placed with Nemic-Lambda, Unitech's jointly-owned Japanese subsidiary, whose contribution to Unitech's pre-tax profits rose 57 per cent. That helped lift profits in the power supplies division, the group's largest, by 34 per cent to £19.9m at constant This contribution offset a more modest perfor-

mance in Unitech's two smaller divisions. The connectors business overcame weak sales in France to raise profits but control products saw profits decline as the sluggish UK construction and property market restricted sales. Together, the three divisions contributed operating profits of £24.6m (£18.1m).

Mr Curry, however, sounded a note of caution by admitting that European sales growth had faltered in the second quarter. If that trend continued, he predicted, the gap could widen between the power supplies division and its smaller siblings – especially if sales in Asia Pacific gathered pace.

His cautious outlook comments prompted a 10p fall in the shares to 499p.

Earnings per share rose from 11p to 14.6p and an interim dividend of 2.98p (2.57p) is declared.

International restructuring charge leaves Danka lower

An exceptional charge of £5.9m (\$9m) for restructuring its international operations hit Danka Business Systems, the acquisitive office equipment The group expects the acquisi-supplier, in the third quartion of the Netherlands-based

Pre-tax profits for the three months to December 31 were turnover of £213.5m (£128.7m), which included a contribution of £63.5m from acquisitions. For the nine months the pre-

Mr Daniel Doyle, chief executive, said internal growth at the core copier operations in the quarter was 10 per cent.

Infotec to be neutral to earn-

ings in the fourth quarter,

because of investments in

pean headquarters. Danka, which amounced a £100m placing on Monday, yesterday said it had secured an enlarged \$400m (£260m) multicurrency revolving line of credit to repay outstanding loans and help support its

LEX COMMENT Premium bonds

20 ----

Premium bonds lack the glamour of the national lot-tery; but they are also a less Saiss (Chr.) effective way of pouring money down the drain. For every £1 spent on the lottery, only half is paid back in prizes. With a premium bond by contrast, punters are certain to get their capi-tal back; all they are gam-

bling with is interest. The result, inevitably, is that the rewards are commensurately unexciting. At £1m, the max imum win is well below the big pay-outs from the national lottery. And at 1:6bn for each £1 bond, the

1890 91 92 93 94 chances of winning it are even more paltry than the 1:14m

chance of winning the lottery jackpot. But do premium bonds stack up as an investment? Some think so - because the fund pays out 4.75 per cent, tax free, in prizes. For a higher rate taxpayer investing the £20,000 maximum, this is above the best building society rate, where cash is available after a week's notice, with 3.75 per cent net. Even if they never win a prize above £1,000, holders of large numbers of bonds should, on average, have little difficulty outper forming that.

The snag, of course, is that the point of putting money into a building society is to buy certainty. With premium bonds, where an investor could end up winning nothing at all, this certainty is lacking. And by reshaping the prize structure yesterday in favour of bigger prizes, the government has accentuated the risk of zero returns. It therefore makes more sense to compare premium bonds with equities - which means it makes little sense to buy them.

Government sells last BAA holding

By Antonia Sharpe

The government yesterday raised about £145m (\$223m) from the sale of its residual 2.9 per cent stake in BAA, the UK's largest airports operator. The disposal follows the sale

in December of the government's remaining 1.8 per cent shareholding in British Petroleum, which raised £500m. Both sales were organised by NM Rothschild, which has been advising the government on the disposal of £1.2bn worth

of shareholdings in 30 privatised companies. All the stakes are expected to be sold by March 1997. Of the 28 remaining investments, the biggest in terms of value are a 2.22 per

worth about £109m, and a 2.29 per cent stake in PowerGen, worth 285m.

The biggest holding as a percentage of a company's share capital is the 13.89 per cent stake in Mersey Docks & Harbour, worth about £52m.

Rothschild invited a limited number of banks to take part in a competitive tender early yesterday. Merrill Lynch, the international investment bank, won the mandate by hidding 491%p a share, representing a discount of just 0.56 per cent to Wednesday's closing bid price

of 494p. • Midland Bank yesterday raised £124m by selling its remaining 5.25 per cent stake in 3i, the venture capital com-

Building societies margin war seen

1995 could be the last year of consistent growth. Alison Smith reports

looming margin war eties is likely to hit 1996 profits, according to UBS, the stockbrokers. It said that 1995 was likely to be the last to see consistent growth in pretax profits among the largest

Mr Rob Thomas, UBS societies analyst, believes that moves by some societies to enhance rates to customers at the expense of profits will force others to do likewise. The maintenance of margins

 in general at levels scarcely lower than in 1994 - has been one of the main factors behind the profit growth among the larger societies for 1995. This contrasts with the diminishing importance of falling provi-sions for bad and doubtful debts in boosting profits.

andford & Bingley

Mr Thomas identified three broad groups among the larger societies: those such as Yorkshire and Coventry, which have reported consistent yearon-year growth in pre-tax profits and so do not show spectacular rises; those which are still benefiting from sharp falls in bad debt provisions, such as Alliance & Leicester and National & Provincial; and those such as Northern Rock and Birmingham Midshires, whose performance is driven

by strong asset growth. already clear that the move towards enhancing rates for customers will depress profits. The last time this happened across the sector was on a less voluntary basis in 1992, as lenders had to increase their bad debt provisions

Building societies' profit forecast, 1995

Yorkshire believes its scheme will cost £20m this year, while Bradford & Bingley, which announced its plans this week, estimates its

profits will be down 250m. Other societies, notably Nationwide (which does not appear in the table because it has an April year-end) and Britannia, have also committed themselves to programmes of improving their mortgage and savings rates, but as yet have not set out details of these

Mr Thomas believes that these moves will mean that other societies which do not intend to become public limited companies either by floating or by being bought will have to produce similar plans, to demonstrate the value of mutuality to their customers.

Forecast bad Debt

120

He believes that all the larger societies, including those often seen as weaker performers, have the capacity to offer customers some form of enhanced rates, because of the strength of their capital ratios. which they could allow to fall back for a couple of years.

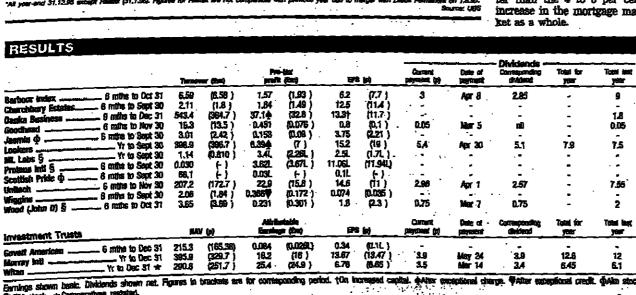
He argues that in some ways the trend towards "hairshirt questions for the fast-growing societies which say they are committed to remaining mutual, such as Northern Rock and Birmingham Midshires.

The climate of opinion could change in a way that would make pre-tax profit rises of 25 per cent or 19 per cent look essive, but, at the same time, these societies need the retained profit to fund their

lance sheet growth. Some believe the question of improving rates will spread beyond societies to other mainstream lenders, when the detailed plans from Nation-wide, the third-largest lender and second-largest society, are

Without such a move, banks and societies which are intending to become plcs - Halifax, Woolwich and A&L - are unlikely to come under similar pressure to change their rates. While some of the forecas

asset growth in the UBS table has come from acovisitions, in general, the figures suggest the rger societies have grown faster than the 4 to 5 per cent increase in the mortgage mar-





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RECRUITMENT

The free-wheeling American labour market model has won increasing admiration from public policymakers in Europe as they continue to wrestle with registered mass unemployment that is much higher than across the

Atlantic. It is praised for its apparent flexibilities that provide American employers with an unquestioned right to hire and fire at will and thereby make it easier for them to create jobs and keep down the unemployment level.

Moreover, US companies are said to be able to respond much faster than their European competitors to changes in the global economy to create high performance workplaces because they operate in more deregulated labour, as well as finan-

cial and product, markets By contrast, the social market economies of continental Europe are castigated for perpetuating over-generous welfare benefits and legal employment protections, along with top-heavy state bureaucracles and over-mighty trade unions that obstruct the growth of employment

opportunities. As David Marsden at the Centre for Economic Performance at the London School of Economics argues*, the "compromises on which the post-war European model partism, industry-wide bargaining and employee participation have all JOBS: Europe is looking to the US as a model, but some Americans question its value This would require a radical suppression to the iobs/welfare sys-

Mixed messages across the big pond

swift adaptation to shifting markets and hence as a cause of declining competitiveness of European industries and of high unemployment".

In these bleak circumstances, it is perhaps no surprise that the US model to many seems more alluring. But not all Americans are enthusiastic salesmen for the way their labour market works. A new book has just been published** by the centre-left think-tank in Washington, the Economic Policy Insti-tute, that warns Europeans not to the superficial attractions of the US model.

It is particularly unimpressed by the claim that the US has enjoyed phenomenal job growth since the early 1980s. "This has become a policy cliché on both sides of the Atlantic", says Jeff Faux, the institute's president. The book argues that, in fact, employment expansion in the US was lower over the past decade than in the other leading nine western industrialised economies, and a much greater share of US job growth was "driven by increases in the portion of the population that was working Faux points out that both Austra-

lia and Canada enjoyed greater jobs expansion than the US over the period, although those two countries are "generally more regulated, have higher rates of unionisation and more generous welfare systems". Moreover, he adds the US jobs performance was actually superior in the 1970s than in the 1980s compared with Europe when "the US welfare state was at its most expansive".

Nor is the institute impressed by the argument that the US has more competitive labour costs than those of the European Union countries. It calculates lower labour costs are mainly due to the decline in the dollar's value. But the book's main criticism is that the US labour market model has been based on "the deterioration of the standard of living of most Americans over the last 15 years"

Larry Mishel, the institute's research director, argues: "The core problem facing working Americans is the long-term erosion of their

been challenged as obstacles to increases in population than in ability to obtain and keep good jobs that sustain middle-class incomes." Wage inequalities have also continued to grow during the 1990s while the real pay of high school

graduates, blue-collar workers and men have gone on falling. The only group of employees to escape from the downward pressure on real wages have been those with advanced or professional degrees involving an education beyond a four-year college degree.
Robert Reich, President Clinton's

labour secretary has made a mantra out of the call for more education and training to make US workers more skilled for high performance workplaces. But the education levels of workers are rising as their wages are falling.
It is estimated 20 per cent of col-

lege graduates are working in jobs that do not require any higher edu-cation, and it is estimated an even larger proportion of graduates will be under-employed by the end of the century. As a result, the wages of non-college educated workers are being squeezed and the employment opportunities open to them are less well paid and secure.

are undergoing a painful adjustment to the new economic order but that the wages, benefits and working conditions of three-quarters of the workforce without a college degree are being driven down. "Now this trend is spreading to white-collar and college-educated groups, the beneficiaries of the new economic order are even harder to find", concludes Mishel.

Americans who think like him to look enviously at what they see as the superior virtues of the European model with its co-ordinated pay bargaining, high minimum wages, greater earnings equality and generous unemployment benefits that act as a counterweight to the downward pressure on the real pay of workers at the the dangers of social deprivation, racism and political extremism. However, cogent criticism of the

believe all is well with the Euro-

US model by American labour economists should not lead them to

The problem is not, however, that pean social market. A paper*** pres-"a small group of unskilled workers ented earlier this month to the ented earlier this month to the Organisation for Economic Co-operation and Development by Prof Richard Layard and other colleagues at the LSE's Centre for Economic Performance suggests some policy options that may help reduce European unemployment without dismantling basic protections for

> As many in the centre are close to. Tony Blair's Labour party, its ideas are likely to attract growing interest in the months ahead. Layard and his colleagues believe it should be the role of governments not to pursue "flexibility" so much as "active labour market policies". This would involve imposing two new "obligations" on European gov-ernments if the social chapter of the European Union is "to contribute to

> lower unemployment".
>
> First, young people must be "prevented" from ending their education "until they have acquired basic literacy, numeracy and vocational competence". Even more controversially, the centre wants governments to ensure nobody remains unemployed for over 12 months.

approach to the jobs/welfare system, with an end to long-term unemployment benefits in return for the guarantee of a job or a training place to the jobless concerned. "When people enter unemployment they need to understand there will be no possibility of an indefinite life on benefits," argue Layard and

Such labour market reforms are clearly coercive and would restrict individual freedom. But as the US model suggests, there is an even bigger price to be paid in deregu-lation that is borne by the most vulnerable employees, with plummeting real pay and declining living

* The current special 1995 issue of Labour: Review of Labour Economic and Industrial Relations from Blackwells, annual subscription 256.
Beware The US Model: Jobs and

Wages in a Deregulated Economy, edited by Lawrence Mishel and John Schmitt, Economic Policy Institute, 1660 L Street, Suite 1200, Washington DC. 20036, \$24.95.

*** Combating Unemployment: Is Flexibility Enough? by R. Jackman, R. Layard and S. Nickell for OECD Conference on Interactions between Structural Reform, Macroeconomic Policies and Economic Performance. 18-19 January 1996.

Robert Taylor

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EUROPEAN MONETARY INSTITUTE

Vacancies in the Monetary, Economics and Statistics Department

The European Monetary Institute (EMI) was established on 1st January 1994 with its seat in Frankfurt am Main. The EMI's function is to strengthen the co-operation between its members, the central banks of the European Union, and to prepare for the establishment of a future European Central Bank. The working language of the EMI is English. The EMI currently employs approximately 200 staff members and has its own terms and conditions of employment, including a competitive salary structure, pension plan, health insurance and relocation benefits.

The EMI is looking for candidates to fill a number of vacancies in the Monetary, Economics and Statistics Department, which is responsible for issues relating to monetary co-operation and convergence in Stage Two of monetary union and for preparing analyses on the concepts, framework and rules for the single monetary policy in Stage Three. It is also responsible for the statistics which will be needed by the European System of Central Banks (ESCB) to perform its tasks. Positions will be on a fixed-term contract basis and candidates must be a national of a Member State

POSITIONS AND QUALIFICATIONS

Four Economists

- Advanced degree in economics with a sound academic, research and publication record in applied economics, as well as extensive
- Command of English and an ability to present research findings and address policy issues in non-technical terms. A working knowledge of other European languages would also be desirable.
- Familiarity with modern office equipment The candidate for one of the four positions should be a highly experienced analyst of developments in individual EU economies, having
- prepared country reports or surveys, ideally in an international organisation and/or a central bank; with preferably also a track record in the management of such work. Familiarity with issues related to the examination of convergence is highly desirable. For the other three positions, candidates with particular expertise in any one or more of the following areas are sought: monetary theory, titutional structure of money and financial markets, especially in EU countries, and econometrics

Two Economist-Statisticians

- University degree in economics, statistics or a related discipline.
- Work experience in at least one of the following fields of statistics: money, banking, financial markets, balance of payments.

 Experience with PC-LAN based systems, preferably with the FAME time-series management system, with Windows and PC-based
- Windows applications, including spreadsheet (Excel), database (MS Access), graphic and econometric packages.

 For one of the two positions, experience in developing and managing multi-dimensional and time-series statistical databases is sought.

 Command of English and ability to communicate in non-technical terms. A working knowledge of other European languages would also

One Database Manager

- · University degree in economics, statistics, computing or a related discipline.
- Experience in at least one of the following fields of statistics: money, banking, balance of payments, financial and national accounts. Experience in developing and managing multi-dimensional and time-series statistical databases.

 Experience with PC-LAN based systems, preferably with the FAME time-series management system on UNIX, and with Windows and
- PC-based Windows applications, including spreadsheet (Excel), database (MS Access), graphic and econometric packages.

 Command of English and ability to communicate in non-technical terms. A working knowledge of other European languages would also
- be desirable.

One Research Analyst

- Experience in creating, updating and checking databases of monetary and economic time-series dam, producing tables and charts from statistical data and participating in the development and maintenance of software applications. Candidates should also ideally be capable of assisting with the preparation of macroeconomic model simulations and be familiar with techniques of econometric estimation.
- Experience with personal computers. As the EMI bases its information system infrastructure on Windows-based PCs, connected in a local area network, a knowledge of Windows and experience with relevant Windows-based applications is essential. Programming skills are also desirable for the position. The environment includes: spreadsheet (Excel for Windows), and database (FAME and MS Access), graphic and econometric packages (notably RATS), and the NIGEM world macroeconomic model.
- Command of English. A working knowledge of other European languages would also be desirable. Familiarity with money and banking, balance of payments and national account statistics as well as with international data banks.
 University degree in economics, statistics or a related discipline, or, alternatively, equivalent experience.
- Applications, which should include a Curriculum Vitae and a recent photograph, references confirming the required experience and skills and, if possible, copies of papers and notes prepared by candidates, should be addressed to the European Monetary Institute. Personnel and Office Services Division, Postfach 10 20 31. D-60020 Frankfurt am Main, and should reach us no later than 15th February 1996.



Les Echos

The FT can help you reach additional business readers in France. Our link with the French business newspaper. Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone: Toby Finden-Crofts on +44 0171 873 3456

S Marketing

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One of the more successful areas for growth has been in the US where the firm has developed a significant client base and more than £1 billion under management.

We now seek an experienced and highly motivated markezer to continue to develop our business in North America. He or she will be responsible for developing relationships with leading consultants and plan sponsors and for winning segregated pension fund business.

The job will entail significant travel within North America and, whilst it is envisaged that the post will be based in Edinburgh, applications will also be considered from those who wish to remain in the US.

We anticipate applicants being educated to degree level and to have directly relevant experience in financial services marketing to institutions. In turn the successful candidate will have the opportunity to develop a rewarding career in one of the most successful investment firms of recent years.

Please send a detailed CV including current package, to Jame Duthie, Baillie Gifford & Co, 1 Rutland Cour., Edinburgh EH3 8EY, Scotland, Tel: 0131-222 4000 Fax: 0131-222 4489. Closing date for applications: Monday



Investment Managers

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Our client is one of the most prestigious and well respected financial institutions within the Middle East. Operating internationally their innovative appr to business is much respected. They are currently seeking to recruit two experienced accuaries to provide professional and sedmical expertise in establishing two new businesses. Both ventures are surgeced at the regional market and will offer a substantial and exciting challenge. imeratori Candidass will have a minimum of 3 years' post-qualification experience of direct relevance to the positions. Preference will be given to classificates who can demonstrate broad experience and commercial fish.

Life Actuary

 Show the ability to lead in the technical aspects of product development and Pricing so as to much identified customer needs.

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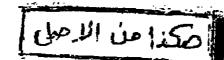
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Support the marketing of pervious to clients and the devalue technical merhoding material.

 Take responsibility for the preparation of regulatory and statutory reports. Behrain is a highly musternized and successful country with a high quality of Ma particularly sulted to families. These positions are perm familied effering an attractive tex free salary, performance related bonus, accommodation allowance and other benefits including autural

tes withing to be considered should send a full resume, including current salary details, to The Confide Supervisor, Ref. L/19695, Lonsdale Advertising Services, 58-60 Rivington Street, London, ECIA 3AY.





Candidates must be high calibre graduates with at least

five years' relevant financial services experience in fund

management, investment or management consultancy, banking

or corporate finance. Strong people and project management skills are essential, along with numeracy and IT/spreadsheet literacy. We are looking for good communication skills, imagination, energy and a "can-do" attitude.

This is a fast-moving, non-hierarchical and performance-

oriented environment offering first rate career development

opportunities for those with ambition and ability.

The remuneration package includes the full range

of financial services benefits, and will reflect the senior

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at the address below, quoting reference number 488) on both letter and envelope, and

including details of current remuneration.

Excellent Package

Head of European Marketing Services

London

HSBC Asset Management is the global investment management business of the HSBC Group, one of the world's largest banking and financial services organisations. With global funds under management exceeding US\$3.70n, the company enjoys a strong reputation for fund performance, innovation and quality of service. The London-based Client Investment Services (CIS) team plays a critical role in developing and maintaining relationships with institutional clients throughout Europe. Responsive, high quality marketing services are key to the company's success.

As a member of the European Executive Committee, the Head of Marketing Services manages a nine-strong team and has overall responsibility for the production of informative and distinctive marketing materials, presentations and consultants questionnaires. The appointed candidate must quickly develop a detailed understanding of the marketplace, working as part of the CIS team to tailor

marketing materials to client needs.

GKRS

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nature of the role.

Senior Management

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Our Client, one of the world's premier business and technology consultancies, provides fully integrated solutions to business problems for its many multinational clients. Covering all industry sectors, they have an unrivalled track record of providing tangible results and competitive advantage. A rare opportunity has arisen for a senior individual with Financial Markets expense to join their management team. Key criteria for this position will include:

Six Figure Package

- Financial Markets, Investment Banking and Securities background with particular expertise in back office processes and technologies.
- The ability to project manage multi-million pound projects and associated resources.
- Proven business development and client
- management skills.

An entrepreneurial approach with competence, gravitas and interpersonal

appropriate to a position of this profile and seniority.

Probably aged mid 30s, candidates will be high calibre graduates with a minimum of 7 years' IT experience gained within the Financial Markets arena with either a leading financial institution or consultancy. You will display technical excellence and rapid career progression to date. This is a challenging and demanding role; candidates must be capable of making full partner in the most rigorous and exacting of environments

If you believe you have the necessary experience, skill sets and flair then please write enclosing an up to date Curriculum Vitae, including daytime telephone number and salary details to the advising consultant, Jonathan Kidd, at Harvey Nash Plc, 13 Bruton Street, London WC1X 7AH. (Tel: 0171 333 0033) quoting reference HNF128.

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EXECUTIVE SEARCH & SELECTION

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c.£35,000 Package West Midlands

About Us

We are a leading business unit within a high profile British plc with a turnover in excess of £3.5 hillion. We are involved in the transportation and distribution to domestic and commercial customers in the UK. An imminent step change in the industry scheduled within the next two years has precipitated the creation of a credit risk management frinction to evaluate, monitor and control exposure to financial loss from third parties.

Our Future

... will be exciting and challenging. The programme of change we are undergoing will put us significantly ahead of our competition. We are a brand leader and we see successful risk management as critical to the development of our business. We have a small number of customers with very significant exposures.

Our Style

Direct, open and hands on: We are a young culture which places great emphasis on team working and we spend time and money on developing our people.

The Positions

These are new posts within a new unit. We need flexible team players who are flexible to design and develop systems and reposts from a blue print which will measure exposure against limits, prepare risk analyses for business cases and review customer credit agreements. Experience of working with a variety of information sources, not all in the public domain, is essential as is proven experience of financial modelling for products and industries. The ability to think laterally in a rapidly changing environment is a key criteria. It is anticipated that we shall need two analysis to work on Exposure Measurement and two to work on Monitoring and Risk Assessment. All positions report direct to the Risk Manager.

You

... are likely to be an analyst working possibly in a bank or a major plc. Alongside strong analytical ability you should be experienced in negotiation, customer management and commercial pricing. Our work will be project driven and you must be comfortable with playing differing roles in project teams. You will have a good degree plus a minimum of five years as an analyst, ideally in a capital intensive industry such as petrochemicals, but this is not as important as a genuine interest in our industry and excitement at the scope of the task in hand. We would particularly welcome applications from Analysts working in the City who are interested in relocating.

Next Step

Please write to our consultant Jenny Mayes quoting reference G/0069. Alternatively if you would like a conversation regarding your suitability for these positions, please call her on 0121 200 3000.

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opportunity to maximise your creative problem-solving skills within a highly specialised environment.

The roles involve evaluating the trading prospects for underperforming businesses and proposing innovative solutions to our customers' funding requirements. You will bring a broad base of development capital and banking experience to enhance our position and invest, where appropriate, in external restructuring opportunities.

Your experience could have been gained in either a transaction or advisory capacity (including accountancy firms), and we are particularly keen to hear from those from a corporate finance. investment banking, investment analysis, fund management or

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In return, you can look forward to a highly attractive remuneration DEVELOPMENT package that includes bonuses and the full range of banking-sector benefits.

To apply for either of the London positions, please send a full CV to Anthony Jones, Career Plan Limited. 33 John's Mews, London WC1N 2NS. Tel: 01/71 242 5775. Fax: 0171 831 7623.

To apply for the Edinburgh position, please send a full CV to Scott Black, Finlayson Wagner Black Limited, 19 Alva Street, Edinburgh EH2 4PH. Tel: 0131 539 7087. Fax: 0131 539 7086.

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European Bank

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A Design and project management of IT systems including budget and cost control procest of third purty suppliers of IT systems including tendering, selection, contract

As an international, multicultural organisation, we are especially interested in applicationationals who have good English language skills as well as the experiences described above opportunity to develop your career is complemented by a highly attractive salary, full has a comprehensive relocation package when applicable.

To apply please telephone Bob Skeward or send your CV in El anusber F1/468/1299, at McCourt Consultants Limited, 66-68 St. Maryk Botts, Beading, Berkslabe, England RG1 21.G.

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CREDIT ANALYST - FLUENT GERMAN

£25 - £30K + PKG Leading European Bank is currently seeking an Analyst with min. 2 years experience with a Bank or Finance House. Responsibilities will include the analysis of both Corporates and Financial Institutions so experience in analysing either or both of these areas is

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PROJECT DEVELOPMENT ANALYST

Enron Development Corp. is a subsidiary of Enron Corp., one of the largest integrated natural gas companies in the world with an asset base of approximately \$14 billion and more than 7,000 staff. Enron has achieved compound annual earnings per share growth of 20% since 1990 and continues to pursue a programme of dynamic expansion. EDC works on international project development.

The Company is seeking a Project Development Analyst to assist in the development and financing of natural gas and power capital projects in Europe. Based in London, the Analyst will assist developers in analysing project feasibility, in proposal preparation and in structuring the technical, commercial and financing aspects of project deals. Particular emphasis will be placed an developing economic models Lotus 1-2-3 based for each project. This multi-disciplinary modelling task requires that the Analyst be able to intelligently obtain relevant information from all functional areas that impact the project economics, including; engineering, construction, tax, financing and other speciality areas.

A highly motivated, self-starter, the successful candidate will most likely possess a degree with 1-3 years experience in industry or financial services. Financial modelling experience is essential. The ndividual must also be capable of assuming greater development responsibilities in the future.

Enron offers a competitive salary and flexible benefits package which includes pension, medical and dental cover. Other benefits include a share ownership plan.

Interested parties should send a detailed CV with current salary package to the Human Resources Department, Enron Capital & Trade Resources , 4 Millbank, London SW1P 3ET Closing date for applications: Wednesday 7th February 1996

MARKETING EXECUTIVE (EUROPE) INSTITUTIONAL FUNDS

LEADING INSTITUTIONAL ASSET MANAGEMENT GROUP

You will have a proven track record of success in a

similar role with a minimum of three years experience.

You will have a good degree and be fluent in at least

one additional European language. Ideally you

will have had some experience of managing money.

You will be energetic, self-disciplined, possess

Our client is a leading International Investment Group, with an outstanding record of performance in managing assets totalling in excess of £60 billion on behalf of its clients, of whom at least two thirds are domiciled outside the UK. As a result of continuing business growth, the Group is seeking to appoint an additional European Marketing Executive to join its well established and highly successful International Marketing team. THE ROLE

You will be responsible for marketing the Group's International Investment products to a diverse range of potential clients within a specific regional sector. You will work closely with fund managers in preparing for new business presentations and will contribute to the development of new investment products.

drive and initiative and be happy to travel frequently. A highly attractive salary and bonus are offered, together with a generous benefits package. For ambitious and successful individuals long term career prospects are exceptional.

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THE POSITION

Provide agorous rechnical analysis on UK and European equities.

Sell Bridge's trading capability to American and European client base. Work closely with trader.

Key member of small team. Individual accountability high. Extensive travel.

Graduate with minimum two years' analysis experience in UK or European equities. Knowledge of US investment

Rigorous analytical ability, probably with formal qualification. Registered representative.

Excellent mimerical and commercial skills. Fluent, confident

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Bridge competency and European language preferred.

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OUALIFICATIONS

This is an exciting opportunity to expand the activity of an investment banking company in Prague which benefits from substantial financial backing by a diversified holding company. Present activities include debt and equity issuance, broking and dealing, corporate finance advice, capital raising, venture capital and asset management. The new Managing Director will build on this foundation and develop the company's International business.

The Position

- High profile, autonomous position offering outstanding
- Responsible for fostering profitable growth and strategic
- Reporting to the holding company board.

Please send your CV with current salary details to: Patrick Alexander, K/F Associates,

The Requirements

- Preferably 7-10 years' experience of investment banking
- Any nationality although fluency in Czech required. Should have worked in a major international financial
- 252 Regent Street, London WIR 6HL, quoting ref: 6979/A, or alternatively by e-mail to cv@klaeurope.com

Internet Home Page address; http://www.kfaeurope.com/kfaeurope

K/F ASSOCIATES

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City

Bridge Information Systems and Bridge International Broking are part of Global Financial Information Corporation, a leading provider of on-line information and transaction products for investment professionals worldwide. Bridge, a wholly-owned subsidiary, provides comprehensive and timely fundamental data combined with advanced technical graphics and extensive analytical displays. Bridge International Broking offers its worldwide institutional clients a natural source of liquidity, timely investment information and non-biased agency execution. Continued growth of its global product line has resulted in a select number of exciting opportunities.

Bridge Information Systems Sales Executives

Ref PS60109 THE POSITIONS

- Ability to plan and administer marketing, sales and profitability of assigned and new relationships.
 Self-starters with potential to market aggressively a self-starters and market landships. QUALIFICATIONS
- Proven sales performance in this or related industry or professional investment community. Graduates with financial industry experience in a major

ence, to NBS, 10 Arthur Street, London EC4R 9AY Please send full cv, stating salary and quoting relevant refe





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this may not be the Job you perform today. You will speak Spanish well enough to be able to d written credit presentations in the language. return, we offer an attractive salary and discretionary financial sector benefits. A valued me-

we and professional team, you will be encouraged to develop your career at Abbey National and build on your knowledge and experience. If you're a committed team player, looking for a fresh challenge, please write with career details to our not, Parrick Fearon, TASA International, 15 Carteret Street, London SW1H 9DJ. In pursuing our policy of equality of opportunity for all, Abbey National positively welcomes

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Candidates will have a minimum of 5 years trading money products. both as market makers and strategic positioners. DM FRA experience is preferred. They should have a strong educational background, be a motivated team player and possess strong communication skills. Familiarity with financial markets in Asia time zones and/or working experience in Japan would be an advantage.

An excellent remuneration package including benefits and a very significant bonus potential is available for the successful candidate. For an initial discussion in confidence please call us quoting JO1/96 at 20 Cousin Lane, London EC4R 3TE. Telephone: 0171 236 7307 or Fax: 0171 489 1130.

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Written applications only please, including full CV and current salary details to: Maria Gigli, Personnel Officer, The Bank of New York, 46 Berkeley Street, London W1X 6AA.

THE BANK OF NEW YORK -

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Korean speaker, with a relevant degree, and preferably an MBA. A minimum of 10 years broking experience in the Korean occurities industry, strong relationships with the UK and European institutional clients, Previous work experience in Korea will be expected, with one of the recognised brokerage firms and/or a "chaebol". Other qualities required are a strong somic background and credit analysis skills.

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ECONOMIST (2 Positions)

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The U.S. Treasury Department provides technical ass advice to senior officials of the Russian Federation. Treasury is recruiting two (2) economists for resident assignments (up to 2 year) to the Russian

The first advisor (macroeconomist) will provide analysis and policy advice on medium term macroeconomic issues facing the Russian economy, and will help build a capacity to address such issues within the Russ Ministry of Finance. Such advise will inform decision makers in the budget process of the impact of the economy on the budget process, and the impact of the budget on the economy. Ideally, the Adviackground in balance-of payments analysis. The Advisor may also saist in the structuring and obtaining of valid and reliable data to support decision systems. The second advisor (budget policy) will assist the Russian Winistry of Finance in developing and improving economic indicators to be used by decision matters. The Advisor will define the data needed by the Ministry to enhance its economic informa develop new sources of economic information.

nts should be self-starters. Prior oversees work experien challenging environments and knowledge of the Russian language would be distinct advantages. While technical sidils are essential, the abilities to pain the confidence of host officials had provide sound but realistic advise ermine ultimate success. A Master's degree in economics or elated field is required for both positions.

ries are negotiable to the maximum amount set for comparable overnment salaries for the two positions as follows: Flat position nacroeconomics)- \$92,900, second position (budget policy advisor) 12,900. Sataries will be negotiated in accordance with program egulations, and be based on demonstrated salary history, not to exc the maximum indicated. Fringe benefits will be provided in accordance with program regulations. U.S. citizenship is required. Applicants must submit a cover letter specifying preferred position and U.S. Government Standard Form SF-171 (or Optional Form OF-612) within 21 days of the ppearance of this notice to: Department of the Treasury, Procurement Services Division Room 1438, Alth.: WTB/Debt, 1500 Pennsylvania Wenue, N.W., Washington D.C. 20220. Only successful candidates wi pe contacted; application materials will not be returned.

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Major European Bank

FOREX SENIOR DEALER

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A leading European Banking Group seeking to recruit a highly qualified Exchange Senior Dealer for their Hong Kong Branch.

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The Person:

Graduated from either university or husiness school, or engineer

- At least 3 years experience in forex spot markets acquired in a major bank or a large corporation.
- Fluent in English: knowledge of French is advantageous.
- Strone interpersonal and communication skills. Should be highly self-mativated and able to fully understand client

 The renumeration package will include a competitive base salary. inghts attractive bonus scheme and housing allowance in Hong-Kong. Please reply with full details to Danielle ELOUEIS.



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one: Operate, administer and maintain the SWIFT/Telex System (STS) using Logica's Fastwire Software; Interface with the SWIFT Network and Telex carriers: install and test new versions of Fastwire, monitor performance maintain security, identify systems errors, support software interfaces, and carticipate in STS disaster recovery plan and in systems development within

Requirements: Bachelors degree in Computer Information Systems or related field. Minimum three years experience in computers or information and communication systems; one year with a Masters. Experience with the SWIFT System desirable. Fluency in English required.

The IDB is an international financial institution promoting economic and social development in Latin America and the Caribbean. Position offers excellent salary and benefits package, including relocation. Plesume should be received by February 9, 1996. Send to: HUR-RO-FT IDS Stop EO507 1300 New York Avenue, NW, Washington, DC 20577 USA or FAX (202) 623-3096. The Bank regrets that it is able to respond only to applicants who best meet the position

ENTREPRENEURS / BUSINESSMEN

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BOARD MEMBERS

A limited number of vacancies exist on the Board of the Higher Education Funding Council for England

The Higher Education Funding Council for England was established on 1 April 1992 to promote high quality, cost-effective teaching and research in higher education. It advises the Secretary of State on the funding needs of higher education, and distributes available funds to institutions. It operates under the guidance of a Board of 12 to 15 members including the Chairman and the Chief Executive.

- Appointments, usually for terms of three years, are made by the Secretary of State for Education and Employment.
- Members attend monthly Board meetings and also serve on a number of Committees. The time requirement for Board members varies, but it is expected that this would be, at minimum, about 20 days per year.
- Meetings take place alternately in London and Bristol. Travel and other expenses can be claimed. The positions are unsalaried, but Board members receive a taxable honorarium

of £4,000 per annum. Candidates may have an academic, business or professional background. Applications are particularly welcome from holders of senior academic or administrative positions,

who need not necessarily be heads of institutions, and from active senior industrialists.

Further information on the work and matitution of the Funding Council can be

Clerk to the Council, Higher Education. Funding Council for England, Northavon House, Colcharbour Lane, Bristol, BS16 1QD.

Gudrun Groves,

Expressions of interest in the form of a latter explaining that explicants believe they could ofter as HEFCE Board nembers and short supporting c.v. should be sent by

Room 1C7, Department for Education and Employment, ienctuary Buildings. Great Smith Street, London SW1P 3BT.

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Investment Ombudsman

The Investment Management Regulatory Organisation Limited (IMRO) is responsible, under the Financial Services Act, for regulating firms involved in investment management in the UK.

IMRO has set up an independent system for dealing with complaints brought against regulated firms by their customers, where those complaints cannot be resolved by the parties concerned. These complaints are referred to the Investment Ombudsman, who investigates complaints independently with a view to recommending a settlement to the parties and can, in appropriate cases, arrange for adjudication.

The Ombudsman's role is a part-time one, supported by a full-time legal tearn which undertakes case preparation and investigation. However, the Ombudsman decides the cases - sometimes after interviewing the parties - with the aim of reaching a fair result in each case.

The post of Ombudsman will shortly fall vacant following the retirement of the present incumbent and IMRO is seeking his replacement. The successful applicant will be a professional person, of high integrity, with a successful career in a commercial environment. The current Ombudsman is legally qualified. IMRO considers that legal experience is necessary but may be persuaded otherwise should a particularly suitable candidate emerge from another field. In any event candidates must be able to demonstrate a clear understanding of the workings of the financial services sector and a strong commitment to investor protection.

Applicants attracted by the challenge of this high profile position should write with career details (quoting ref. no 2375F) to Dorothy Page at Odgers International, 7 Curzon Street, London W1Y 7FL, who is advising IMRO on

Schroders

Pacific Basin Economist

Schroder Economics, the economics unit of Schroders plc, centred within Schroder Investment Management Limited, requires an economist to cover the economies of the Pacific region, excluding Japan. This is a new role which reflects the increasing importance of the region to the success of the company.

You will be required to work with the existing specialist team in the generation of regional economic forecasts, the assessment of monetary and fiscal trends and the development of investment themes through original research.

You are likely to possess a post-graduate qualification in economics and should have gained at least 3 years experience in either the public or private sector. At least one year must have been spent specialising on Pacific region economic issues. Good communication skills and an interest in financial markets are

The jobholder will be based in London reporting to the Chief Economist but will have extensive contact with Schroders' overseas research teams and economists.

The compensation package includes a competitive salary plus full banking

benefits package. Career prospects within the Schroder Group are excellent. Applications in writing with full curriculum vitae, should be sent to: Carol Scambler, Schroder Investment Management Limited, 33 Gutter Lane,

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When you process transactions valued in excess of £70 billion per annum that's £1 in every £4 that passes through the nation's tills - you can justifiably claim to be a major force in UK banking. One of the main reasons for Girobank's success is our total commitment to developing solid working partnerships with our clients. We now need enthusiastic and knowledgeable

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You will be accountable for maintaining and enhancing relationships with existing customers and identifying and winning new business opportunities. From the renegotiation of contracts to ensuring the delivery of a quality service, you will have responsibility for actively enhancing the corporate banking portfolio.

You must have experience gained within a first-rate corporate financial environment embracing a comprehensive knowledge of cash bandling and

Competitive and a high achiever, you will have the well-honed sales, negotiation and persussion skills essential to succeed in this target-driven role. We offer first-class remuneration packages - attractive to the highest calibre people - together with realistic career prospects in a progressive

If you think you could make an active contribution to our continu success then please send full cv to Trish Mercer, Personnel and Training Adviser, Girobank plc, Bridle Road, Bootle, Merseyside GIR 0AA.

MANAGING DIRECTOR

Speciality Footwear Retailer - New Zealand

For over 125 years, R Hannah & Co Ltd has led footwear retailing in New Zealand. The company is privately owned, has close to 190 stores nationwide, covering several market/brand segments and is at the brefront of new thinking in retailing. Hannah's and its associate brands are prominent in all major shopping centres and the Company is quickly developing new theme store concepts, as well as the prudent location of stores in new Outlet and

Power centres. The Managing Director will be responsible to the Hannah's Board for the continued profitable development of the company. The foundation is very solid with significant revenues, market leadership and a reputation for efficient manufacturing andimporting, intelligent marketing and quality

Candidates will need to have speciality

or similar retail experience at a senior

evidence of success in adding value for

shareholders, leading and developing staff

understanding of fiscal responsibilities and

Board relationships. Experience in apparel

The remuneration package is at a high

level and includes discretionary income based

and exceeding customer expectations. A

and merchandising is essential as is an

on company performance. Relocation

expenses to Wellington, New Zealand's

Applications will be treated in strict confid

information to Norman Godden, Deputy Chairman, Sheffield Consulting Group Ltd., at

our Auckland address below, quoting

Please send relevant personal and career history

retailing would be very helpful,

capital city, will be met.

Reference 15991.

management level. They will need to provide

sound background in retail selling, marketing

Telephone 64-9-377 31 19 Facsimile 64-9-307 2322 PO Box 5621, Auckland, New Zealand

INTERNATIONAL CONSULTING OPPORTUNITIES

DFC is a private consultancy firm with offices of London, Barcelona and Paris, providing advisory services worldwide, with a focus on Eastern Europe, the CIS and the Southern and Eastern Mediterranean region. Our assignments are frequently funded by the World Bank, the European Commission, the European Bank for Reconstruction and Development and other international agencies.

We now aim to extend our register of experienced consultants for new assignments principally in the banking and financial sectors in the Mediterranean region. Excellent presentation and report writing in English are required and fluency in a second language with a knowledge of Arabic is desirable. Previous working experience in the Middle East or North Africa especially in the areas of bank restructuring, bank regulation and supervision, development finance, small and medium size enterprise development, project finance, and privatisation is being sought.

Candidates with appropriate experience are invited to send a detailed Curriculum Vitae. indicating preference for short or longer assignments, to: DFC Ltd, Grosvenor House. 141/143 Drury Lane, London WC2B 5TB, Tel: (44) 171 836 3424, Fax: (44) 171 379

Investment Research

Stockbroking

Paper & Packaging, Mining and Drinks & Leisure

Age 25 - 32

A leading UK based international stockbroking firm has openings for industry specialists in a number of sectors.

Through its strong institutional broking business, the firm plays a major role in raising equity and long-term debt finance for British industry. It also raises finance for overseas companies and has been extensively involved with privatisations in the UK and abroad.

A substantial commitment to investment research is a central commonent of the firm's activities. Members of the research team keep in close contact with a wide range of companies and provide sector expertise as part of the broking business. They offer investment advice to fund managers in the UK and around the world, and play a key role in the process of winning and executing mandates to issue new equity capital.

These openings, which have been created by the continuing development of the firm, might suit those already in City-based occupations or in industry, commerce or the professions. Applicants, who must be self-monvated with strong analytical and communication skills, should contact

Jock Costs at Career Plan Ltd., 33 John's Mows, London WCIN 2NS, Tel: 0171 242 5775, Fax: 0171 831 7623.



UK Subsidiary Managing Director London Based

Worldwide company with a strong leadership in manufacturing and commercialising of sophisticated engraving machines is seeking after a managing Director in order to further develop its UK market share.

The ideal applicant, aged 35-45, will be educated to degree level with minimum 10 year experience in industrial equipments in «Business to Business». He should have already managed business units and acquired a successfull experience of commercial development. He should also be capable of implementing a strategic direction of the business and exploiting all UK market opportunities.

Strong interpersonal and communication skills are essential as the position requires extensive interfacing with clients and employees.

Please reply with full details to Géraldine MICHAU,



SWITZERLAND

THE BANK FOR INTERNATIONAL SETTLEMENTS

an international institution located in Basle with approximately 460 members of staff from 24 countries

invites applications for the following vacancies in its Banking Department

PORTFOLIO MANAGER (Ref. 96277)

The successful candidate, who will have a university degree (ideally in finance or mathematics) and at least two years experience in managing fixed income instruments, will join a team responsible for portfolios invested in the world government bond markets. Essential prerequisites are computer literacy and a good knowledge of financial mathematics and fixed income derivatives.

FIXED INCOME ANALYST (REF. 96279)

The successful candidate will have a quantitative oriented university degree with exposure to economic and financial theory. He/she will join a research team to analyse fixed income markets developing portfolio management tools and market models. Essential prerequisites are knowledge of Statistics, mathematics, numerical methods and a good command of various IT environments (UNIX, windows).

In addition to a very good command of both written and spoken English (preferably mother tongue), a working knowledge of German and/or French would be an advantage.

The Bank offers attractive conditions of employment in an international atmosphere and excellent welfare benefits.

Candidates should send their application, together with a recent photograph and references, to the Personnel Section, Bank for International Settlements, 4002 Basic, Switzerland, quoting the relevant reference number.

Project Director - Transportation

Far East

Salary Indicator £100,000 & Accommodation & Benefits

This is a superb opportunity to fully manage a landmark civil engineering/development project with an initial construction value of US\$150m. The project comprises a high capacity bridge; tunnels and adjoining infrastructure works.

The person sought will be in overall charge of construction activities and will lead development appraisals and negotiations, managing in-house and external design teams, consultants and financiers. Previous in-depth experience of project financing is desirable. Far Eastern based experience is a distinct advantage.

Candidates should have a degree in either an engineering or business discipline (ideally both) and a career history of involvement in major projects in senior positions.

The company is presently engaged in a wide range of construction and development activities worldwide in the civil engineering; oil/gas and power generation markets. This project broadens the scope of operations into transportation with the objective of creating a new strategic business unit. This is a long term career opportunity with a successful entrepreneurial company.

Interested candidates should submit their CV's in the first instance to Chris Cheetham (advising the client), quoting reference FT/1004/CC at:

Hatfield, Herts, AL10 OJW. Fax: 01707 256881

ANALYSTS

Highly successful, US Management Consultancy specialising in financial services needs to recruit a small number of high-calibre individuals into its Hertfordshire-based team.

We know what creates success in these roles: our clients need people who understand their business and their needs, and seek to enhance the relationship continuously; people who thrive on front-line exposure; and whole confidently balance competing demands. Systems literacy is a prerequisite, along with strong technical analysis and an absolute attention to detail.

In order to be considered you will have an MBA, be highly numerate, and able to articulate your observations and conclusions articulately in written reports or directly to the client. You'll need to demonstrate extensive and creative application of your systems expertise. But beyond all this, success rests on your ability to apply acute intelligence to practical issues; to maintain your integrity, dependability and composure as a dedicated team player while working in a high-pressure environment.

Rigorous professional standards and a demanding workload are compensated by a very competitive salary, attractive benefits and the potential for a substantial performance-related bonus. Most of all, this is an opportunity to develop high-level technical expertise, for learning and using skills which make you visible and valuable to clients in a dynamic, global market.

READY FOR THE CHALLENGE?

Send your CV and application letter to Box A5267, Financial Times, One Southwark Bridge, London SEI 9HL

ACCOUNTANCY APPOINTMENTS

EUROPEAN AUDITOR

Exciting Pan-European Opportunity for German Speaker

With operations in 40 countries spanning Europe, America and Asia this manufacturing group has established market leadership in its core business areas. They are pioneers in their field. The development of leading edge technologies combined with focused, innovative business practices has contributed to dramatic organic and acquisitive growth. .

LONDON

Based near London, the European audit team is young, multi-cultural and commercial. As a key member of this team and working closely with all levels of management, you will review operational and financial aspects of the activities in Europe with a clear focus on Germany, Austria and Switzerland. Trouble-shooting, syste development and special project work such as analysing business and technical accounting issues will be important aspects of this role. The successful candidate will therefore be:

Competitive Salary + Benefits

A qualified accountant or equivalent with at least 3 years auditing experience. Fluent in English and Germa Relishing the prospect of a multi-cultural role with approximately 40% international travel.

This represents a unique opportunity to positively impact upon the efficiency and profitability of the European business, using a consultative approach which will add value. Career prospects are excellent both in Europe and group-wide

Interested applicants should telephone Robert Macmillan on 0171 404 5501. Alternatively please write in confidence, stating current remuneration, quoting reference number 2188 to Nicholson International (Search and Selection Consultarits), Bracton House, 34-36 High Holborn, London WCIV 6AS, or fax your details on 0171 404 8128.



Czech Republic France Germany Holland Hungary India

Rugby School

Warwickshire

Leading independent boarding and day school, with 500 boys and 210 girls, where the enjoyment of teaching and learning speaks as loudly as the fine academic results.

 Accountable for the non-teaching administration and financial control of the school. Responsible to the Headmaster and with direct access to the Chairman of the Governing Body.

◆ Aided by an Assistant Bursar (to be appointed in the . . . Autumn), Estates Bursar, Accountant, Office Manager, a number of support staff and secretariat. Member of the School's Management Committee.

The appointment is for 1 August 1996.

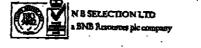
QUALIFICATIONS

◆ Able and intelligent manager with a degree, or equivalent professional qualification.

 Experience of financial management desirable.
 Excellent communication skills, ability to monitor and control the business performance of the school. interest and involvement in school life.

The successful candidate must be prepared to live close to the school.

Please sand full cv, stating salary, ref ED60103FT, to NBS, 54 Jarmyn Street, London SW IY 6LX Registered as an educational Charity number 528752





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Finance Director

Management Consultancy

To £50,000 + Package including Share Options

Central London

Ambitious finance professional required to play key business role in expanding consultancy.

THE COMPANY

- £15m turnover privately owned company, established nearly 20 years ago. Clear strategy, poised for next stage of growth.
- High quality, professional firm. Recognised market leader in its field. Committed to maintaining standards
- Young, energetic management team. Open and
- THE POSITION
- Help plan and deliver significant growth. Play major role in corporate planning, strategy and budgeting.

 Manage finance and administration. Ensure compliance with all legal and company secretarial requirements.
- Contribute to smooth running of company. Member of management team. Report to Managing Director. QUALIFICATIONS
- Graduate accountant, preferably from innovative service organisation with experience of a people product. Minimum 2 years in FC/FD role including
- ne management experience Sound financial control and business analysis skills. Experience of corporate finance, M&A, tax planning
- useful. Computer literacy essential. · Energetic and ambitious. Dynamic professional with advanced communication skills and demonstrable talent. Effective team player.

Please send full cv, stating salary, ref CP3828, to NBS, 10 Arthur Street, London EC4R 9AY





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Financial Controller

Matthew Gloag & Son Limited

Superb Package Incl. Bonus + Relocation

Central Scotland

First-class career opportunity in an internationally-recognised, leading Scotch Whisky company, renowned for The Famous Grouse Finest Scotch Whisky.

THE COMPANY Envied portfolio of international whisky brands.

- Vigorous and profitable with a reputation for product quality, marketing and sales skills.

 Globally expanding business backed by forward-
- thinking management team.

 Part of The Highland Distilleries Company plc, with a turnover of £180 million.
- THE POSITION Report to Finance Director and be responsible for finance function.
- Drive and develop accounts team. Move management information forward to more strategic and commercial

Please send full cv, stating salary, ref IGP3163, to NBS, 78 St Vincent Street, Glasgow G2 5UB



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financial controller

U.S. food manufacturer

krasnodar, southern russia

excellent salary

training in geneva / U.K. An opportunity for an ambitious, energetic Accountant to join the Krasnodor food manufacturing subsidiary of a U.S. Multinational. Responsibilities cover trading & processing activities.

Reporting to the General Manager and deputising for him in his absence, key responsibilities will include:-

- U.S. GAAP reporting, planning and budgeting.
- plementation and development of financial systems.
- capex control, budget monitoring and project management
- strategic issues, new venture plans and advice to Management

These operations are a part of a wider investment programme in Central Asia and Eastern Europe, The company has a strong commitment to ethical standards and development of its people. Your opportunities to progress are excellent. You'll get responsibility, decision-making authority and involvement in the business beyond the level you could expect in Western Europe.

The company is a long-term investor and a patient employer, known for providing full support to its employees so they can concentrate on doing their job. Your next promotion could be anywhere within the worldwide organisation. Ref: 04523.

We have other opportunities in Russia, Poland, Bulgaria, Romania and Central Asia for ambitious finance profession Please telephone us for details.

FARN WILLIAMS INANCIAL & EXECUSIVE NEARCH Diamond House, 37-33 Hatton Garden, London EC1N 8FW Tei (44) 171 404 4089 Fax (44) 171 404 4083

BANK GESELLSCHAFT

Competitive

salary +

banking

benefits

Bankgeselischaft Bedin was formed at the beginning of 1994 to play a central role in reshaping Berlin's infrastructure, and to underpin the dramatic investment program now underway in Berlin and Brandenburg. In a unique blending of state and private interests, it links three entities, namely Berliner Bank, Landesbank Berlin, and Berliner Hypotheken-und Pfandbriefbank. With assets of DM270 billion and in excess of 16,000 employees, Bankgeselischaft Berlin is the capital's leading bank and one of the top ten banks in Germany.

In London, through its antecedents, the bank has been active in capital and treasury markets for a number of years. Following a move to new premises last year, the bank is now expanding its investment banking operations in the UK.

As part of its ambitious development plans, the bank has identified a need for two highly motivated and innovative accounting professionals to strengthen its finance group. Both are new positions where your interpersonal skills and initiative will be put to the test.

Manager, Group Reporting

Reporting to the Head of Group Finance, your responsibilities

- lacktriangle Establish/enhance budgetary control, management reporting and commercial support.
- ▲ Develop and manage staff to maximise productivity. A Review and enhance information and accounting systems.
- - ▲ ACA/ACMA qualification.
 - ▲ Experience of management accounting within the financial services sector.
- Proven team management skills. ▲ A thorough knowledge of capital markets instruments. <u> MwA</u>
 - ▲ An ambition to progress beyond the immediate role.

Manager, Regulatory Reporting

Reporting to the Head of Group Finance, your responsibilities will be to manage and develop the regulatory function to satisfy both German and UK regulatory requirements. This will involve:

- ▲ Interpretation of regulatory rules.
- ▲ Assessment of systems requirements.
- ▲ Management of information from the Group's regulated entitles. ▲ Responsibility for compliance with all regulatory reporting requirements.
- ▲ ACA qualification or equivalent. ▲ In-depth knowledge of German regulatory requirements including the Capital Adequacy
- Proven experience within a progressive Capital Markets environment.
- ▲ Good working knowledge of German (oral and written). ▲ Ability to participate in systems developments in response to regulatory changes.

Interested candidates should write quoting reference number 27813 and enclose a curriculum vitae with current salary details to: Jon Anderson ACMA, Martin Ward Anderson, 20 Shorts Gardens, Covent Garden, London WC2H 9AU.



MARTIN-WARD

· ANDERSON ·

Value for Money Studies Expert

required for a position as

DIRECTOR OF AUDIT in the

Office of the Comptroller and Auditor General

This is a senior level position and the person appointed will be responsible for the strategy, direction and management of the Value for Money Audit Division in the Office of the Comptroller and Auditor General.

The key responsibility of the position will be to advise on and implement, on an ongoing basis, a value for money audit strategy which will identify relevant issues and deliver high quality reports in an economic and efficient manner. The person appointed will, in addition, be a member of the Management Committee of the

The position is likely to be of interest to persons with management or consultancy experience at a senior level in either the private or public sector.

- possess a proven record in business analysis and/or performance evaluation;
- have a capacity to operate effectively at a senior level in an organisation; have a detailed understanding of current management and operating practices in the wider business environment and an appreciation of the Public

The appointment will be on a five year contract basis and it is expected that the appointee will take up duty in early March, 1996.

Salary: £51,143

Closing Date: 15 February, 1996

Cuirfear fáilte roimh chomhfhreagras i nGaeilge.



Civil Service Commission

The Secretary, Civil Service Commission, 1 : Dublin 2. Telephone Number: (01) 6615611 The Commissioners are committed to a policy of equal opportunity.

APPOINTMENTS ADVERTISING

Appears in the UK edition every Wednesday & Thursday and in the International edition every Friday. For information on advertising in this section please call:

> Toby Finden-Crofts on +44 0171 873 3456 Robert Hunt on +44 0171 87 4095

TECHNIP

Challenge status quo, constantly seek opportunities to drive profit and add value across major brands.

◆ CA or equivalent, graduate, aged late 20s/early 30s, already making an impact at senior level, ideally in

Outstanding management abilities, team player with impressive communication and presentation skills.

Background of success in developing and improving

success of the Company. Strong-willed and resilient.

the contribution of the finance team to the commercial

QUALIFICATIONS

FMCG blue-chip company.

■ TECHNIP is a major international French engineering group with reveaues of over USS 1,5 billion, some 5.500 staff throughout the world and 2000 plans in 85 countries. The company is looking to recruit for its Head Office in PARIS a young, high-potential

Senior Project Accountant

THE POSITION: You will be responsible for the THE POSITION: You will be responsible for the accounting, fiscal and administrative control of a variety of major overseas engineering projects, some of them above one billion French Francs. The function involves operational contacts with numerous different departments (engineering, treasury, purchasing, IT, tax etc...) and the management of team of seven accountants. He will report to the help of Project Accounting, Tax and Administration Department. A certain amount of travel worldwide will be necessary.

■ THE CANDIDATE: A University graduate and recently qualified accountant (ACA, CIMA...), you have acquired some three to five years experience within a major audit firm or the accounting function of an international group. Experienc of project accounting and a good knowledge of French will be an advantage. Priority will be given to internationally-mined.

Interested candidates should write to Thierry MAGEON, quoting reference 2985/TMF at NORMAN PARSON, 6 rue Paul Baudry, 75008 Paris FRANCE, or by fax at (33.1) 42 89 09 85.



P&O European Transport Services **Finance Director**

Ipswich

WA14 1ER

Competitive Package

P&O European Transport Services, a division of P&O, is a market leader in the provision of integrated transport and warehousing services throughout Europe, with turnover of c.£900m and with 8,000 employees in 16 countries.

Following relocation to a New Head Office in Ipswich, a Finance Director is required to contribute to the strategic development of the Division and to be responsible for its overall financial management.

The ideal candidate would be a graduate qualified accountant with experience in the transport/distribution sector and in European businesses. Technical excellence, a sharp intellect and flexibility of approach are essential. Travel throughout Europe will be required. Knowledge of German would be an advantage.

Applications should be sent to:-C G Smith Company Secretary P&O European Transport Services Limited Station House Stamford New Road ALTRINCHAM

Senior Finance Professional

to £70,000 package

age 30-35

London

MARTIN-WARD

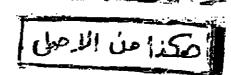
·ANDERSON ·

Our client is the UK subsidiary of a major US energy company with worldwide revenues in excess of \$7 billion. In recent years their successes have been enviable, with a reputation for excellence in the oil and gas industry. Further growth will result from developing new energy markets in the UK, as well as innovative exploration outside of their established producing countries.

They are now seeking to appoint a "high achiever". Reporting to the Director of Business Planning, your initial brief will be to manage the Audit function. This function's resources are strongly focused on the key issues of Risk Management, Internal Consultancy and Operational Review. To be successful in this role you must be able to demonstrate your ability to influence, and therefore have significant input into, high level corporate decision making. In the medium term, it is expected you will progress into a senior mainstream finance role either in

You will possess an outstanding record of achievement to date, having both qualified as an accountant and excelled academically. Your current role will either be within a "Big 6" firm or Commerce/Industry. Whilst energy sector experience is desirable, it is not essential. The salary package on offer is intended to attract the highest calibre of candidates.

Interested candidates should send their Curriculum Vitae (including details of current remuneration), quoting reference no. 27913, to Richard Wright, Partner, Martin Ward Anderson, 20 Shorts Gardens, Covent Garden, London WC2H 9AU. Alternatively, telephone him on 0171 240 2233.



AUDIT PROFESSIONALS AMSTERDAM - THE NETHERLANDS

R.J. Reynolds International (RJRI), part of RJR/Nabisco, is one of the world's Big Three cigarette manufacturers and one of the fastest growing international tobacco companies with over 70 different cigarette brands, including best-sellers Camel, Winston and Salem in over 160 markets worldwide. Net sales are in excess of 3.1 billion USD and the employment level worldwide totals 16,500.

R.J. Reynolds International has recently concentrated its worldwide operations in Geneva, Switzerland. As a result of this a new Global Audit team will be created and is to be based in Amsterdam. Our client has an immediate need for top notch Audit professionals. The positions offer a high degree of responsibility and exposure to executive management. Career development opportunities are excellent for high calibre candidates.

We would like to hear from business-oriented Audit professionals who can demonstrate substantial experience in the following areas:

INTERNAL AUDIT MANAGER

- Financial and operational project based assignments
- Working with senior financial and operational management to improve control procedures
- Ad hoc special projects as determined by executive management
- Management of an audit team

To have gained at least 8 years audit experience from one of the Big Six and/or International companies. To be a qualified Accountant (CPA/ACA/RA) with US GAAP knowledge. Self-sufficient with Microsoft Word and Excel. 50-75% travel.

SENIOR AUDITOR

- Financial and operational project based assignments
- Working with senior financial and operational management to improve control procedures
- Ad hoc special projects as determined by executive management

To have gained 3-6 years audit experience from one of the Big Six and/or International companies. To be a qualified Accountant (CPA/ACA/RA). Proficient with Microsoft Word and Excel. 50-75% travel.

INTERNAL EDP AUDIT MANAGER

- Continuous control and optimalization of procedures and information systems
- Business process improvement
- Operational project based assignments and special projects
- Management of an audit team

To have gained at least 8 years of Information Technology experience including IT auditing. To be a Certified Information System Auditor, or equivalent. Familiarity with IBM AS400 and Windows NT operating systems and JD Edwards. Self-sufficient with Microsoft Word and Excel. 50-75% travel.

SENIOR EDP AUDITOR

- Continuous control and optimalization of procedures and information systems
- Business process improvement
- Operational project based assignments and special projects

To have gained 3-6 years of Information Technology audit experience from one of the Big Six and/or an International company. To be a Certified Information System Auditor or equivalent. Experience with IBM AS400 and Windows NT platforms, JD Edwards. Proficient with Microsoft Word and Excel. 50-75% travel.

The ideal candidates should have an excellent working knowledge of English. In addition, knowledge of other European languages would be desirable. Exposure to the Eastern European region is a bonus. Excellent oral and written communication skills are essential.

To express your interest in these opportunities, please post or fax your updated curriculum vitae to: Elisabeth M.M. Hulgen, Robert Walters Associates, 'Rivierstaete', Amsteldijk 166, 1079 LH Amsterdam, the Netherlands. Fax: 00-31-20-642 9005. Tel: 00-31-20-644 4655. All curricula vitae sent to RJRI will be forwarded to Robert Walters Associates.

ROBERT WALTERS ASSOCIATES



Finance Manager **UK Quoted Plc**

c.£40,000 + Car & Benefits

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Newly-created role to champion improvements in management information for major division enjoying significant change and growth by acquisition.

- ◆ £400 million division of £1bn+ turnover, respected British plc. Multisite businesses across UK, Europe and USA.
- Leading importer and distributor. Profitable, with strong market positioning.
- Senior management team committed to driving change through business.
- THE POSITION

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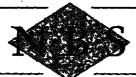
- ◆ High-profile role. Broad remit to upgrade management information and provide incisive analysis of business performance and product profitability.
- Drive development in systems and procedures to facilitate recent acquisition and divisional restructuring.

 • Lead and motivate centralised team of five. Excellent
- prospects for further progression. **QUALIFICATIONS**
- ◆ Graduate ACA with Big Six background. Alternatively, ambitious ACMA. Commercial experience and line
- management responsibilities preferred.
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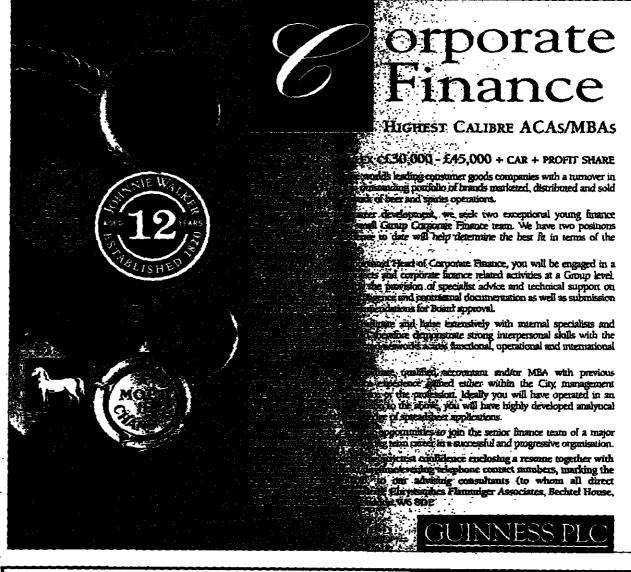
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- THE QUALIFICATIONS
- Mid 30s+ graduate accountant with excellent career progression to director level in an international or pan-European manufacturing and sales organisation. IT literate. Pluency in a European language an advantage.
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International Oil Pollution Compensation Fund FINANCE OFFICER

The International Oil Pollution Compensation Fund (IOPC Fund) invites applications for the post of Finance Officer, due to the forthcoming netirement of the present incumbent from whom the successful applicant will take over, after a satisfactory transition period.

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Applicants should have an advanced university degree in Business Administration, Economics, Finance, Banking, Accounting or Auditing and have obtained an appropriate professional qualification. Candidates should also have a minimum of 10 years relevant professional experience. Experience of work in an international environment would be an advantage. Knowledge of financial computer systems is essential. Excellent English is required, as well as a working knowledge of French.

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The IOPC Fund, which has close links with the International Maritime Organisation of the United Nations, is an intergovernmental organisation, set up to pay compensation to victims of pollution damage caused by oil spills from ships. At present, it has 67 Member States. The Secretarist, which is based in London, has 14 staff members.

Please reply in writing with CV by I March 1996 to:

The Director, International Oil Pollution Compensation Fund, 4 Albert Embankment, London SE1 7SR

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ed and suitably qualified applicants should contact, in strict confidence, the group's specialist odvisors immediately with full details in English of career history, current earnings and any other related information by mail or fax. FM RECRUITMENT, Greencoat House, Francis Street, London SWIP 1DH, UK

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QUALIFICATIONS

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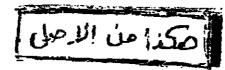
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COMMODITIES AND AGRICULTURE

technical barrier to \$407

By Kenneth Gooding, Mining Correspondent

Gold's price yesterday burst conclusively through US\$404 a troy ounce - an important technical barrier - to close in London at \$407, up \$4.10 an

Traders were taken by surprise by the upward movement as many expected gold to fall in value yesterday and went short - or sold gold they did not own in the expectation of buying it at a lower price and pocketing the difference. The price rise also sparked more buying by US hedge funds and the "shorts" had to scramble to

"A number of people at the start of the day thought gold a surprising lack of selling yes-

was on its way down. But it did not work out that way and they panicked and sent it up to \$407," said Mr Alan Baker, executive director of bullion trading at Deutsche Morgan Grenfell

He suggested that the price might ease back in the immediate future "but we will see it higher this year". Mr Baker suggested \$420 to \$440 an ounce was possible. He added: "There has been a

complete change of atmosphere [in the gold market]. We are now in a bull market and in a bull market all news seems to be bullish. But the market is long overdue for an interesting

terday when gold went above \$404 an ounce. Australian gold producers, who usually take advantage of upward jumps in the price to sell forward, were

noticeably absent on this occa-

sion, they added. Gold bears still insisted that. although the price might reach \$420 during this renewed period of price volatility, it was likely to slip back to well below \$400 later. "I would be surprised if prices around \$420 lasted more than one month Prices in that area should bring out between 300 to 500 tonnes of disinvestment selling from the Middle East," said Mr Ted Arnold, analyst at the Merrill Lynch, in the financial ser-

Coffee market hits 7-week highs

Market Trends newsletter.

By Deborah Hargreaves

Coffee prices hit 7-week highs yesterday as the March futures contract at the London Commodity Exchange rose by \$49 a tonne to \$1,955. Trade was light, however, and traders did not believe the meeting of the Association of Coffee Producing Countries that broke up yesterday had contributed much to the price rise. The ACPC yesterday reiter-ated its decision to keep in place its export retention scheme beyond June 1996. It said the scheme last year which resulted in 29m bags of exports between June and December, had led to a large drop in coffee stocks held by consuming countries.

Consumer stocks were at their lowest level for seven years at just below 8m bass. after JUne.

"Notwithstanding the results of the programme, prices do not yet reflect market fundamentals and are at levels unsatisfactory to producer countries," the organisation said.
The ACPC said it has set up

a technical group to review the market situation and study proposals submitted by mem bers. It will also work on the

Surinam backs off from logging debate

By Canute James in Kingston

Mounting local and foreign opposition has forced legislators in Surinam to postpone a parliamentary debate about contracts that the government wants to award to a Malaysian company to log about 10m

acres of rainforest. The proposed contract to the Berjaya Group Berhard is being opposed amid charges, denied by the company, that it has a poor environmental record in logging in Malaysia. The inhabitants of the area

cession, Amerindians and the Maroon tribe, which make up

15 per cent of the country's 400,000 population, have created a political party to oppose the logging venture. They say parliamentary debate of the contract should take place after general elec-

tions, which are scheduled for May 23. This follows objections to the proposed contract to the Malaysians from local and foreign conservationists. The Dutch and US governments and the World Bank have also

expressed reservations about

406.6 +3.2

the contract.

The proposed concession is in the Amazon Basin, and comprises about 10 per cent of Surinam, Government officials say the contract could ease pressure on hard-pressed economy of the former Dutch colony on the north-east coast of South

America. "The people in the interior will not accept the contracts in their piecent form," according to a statement from the recently-formed Surinam Democratic Union, the party created by the tribes in the interior.

Gold price bursts through | Wheat crop forecast to bounce by 22m tonnes

By Deborah Hargreaves

World wheat output could reach 553m tonnes this year up from 531m tonnes last year as producers in main exporting countries respond to sharply higher prices, accord-ing to the international Grains Council. The council reports in its latest monthly outlook that prospects for this year's crop

are generally favourable. The crop is expected to be the highest for three years and could ease the current supply tightness. If conditions in the main growing regions continue to be normal this year's crop will cover world consumption, which is expected to be 545m tonnes, and allow a small rise

in stocks. The estimate for world

stocks by mid-year remains at a 20-year low of 90m tonnes. The European Union further curbed the flow of wheat to the world market by imposing an export tax in December, the

"Left to its own devices, the

IGC said. The tax was attacked yesterday by the Grain and Feed Trade Association, which said it was "not an appropriate market will ensure appropriate rationing of grain and feed products, and such an important function should not be in the hands of a few bureaucrats," the association said.

Gafta called for the reduction of set-aside to allow EU farmers to respond to market trends. The grains council forecasts a rise in acreage for wheat plantings this year of some 3 to 5 per cent in the EU.
The council said the availability of wheat supplies this year would depend on the amount of coarse grains for the livestock sector. The forecast for world production this year is 4m tonnes lower at 795m tonnes with stocks expected to fail to 86m tonnes - 3m tonnes lower than the previous estimate.

IPE puts back | launch of gas futures

By David Lascelles.

The International Petroleum Exchange in London has been forced to postpone the launch of Europe's first forward contract for natural gas because of delays in liberalisation of the UK gas market.

The launch date has been put back about six weeks from March 1. An exact date has not been set.

The main cause of the delay is the postponement of the implementation of the Network Code, the new set of rules for the gas transmission system, from February 1 to March 1. A further period will then be needed to ensure that the system for validating physical deliveries under the contract has worked successfully for a full contract cycle of six weeks. Initially, only monthly contracts for delivery of gas to Bacton will be traded. Depending on their success, contracts for the other five delivery points may be introduced.

The date for full balancing of the gas network has also been postponed by three months to September 1, which means that traders will have less incentive to trade gas actively much before then.

The Securities and Investments Board has created further problems by requiring all the exchange's gas associate members to be authorised by the Securities and Futures Authority, which could take 12

23 1,270

- 113.85

SOFTS

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Australia to scrap wool debt levy

about A\$1.4bn - remains, but this will now be serviced solely

Wool International, set up to handle the stockpile problem,

has been steadily reducing this

hoard through a fixed schedule

By Nikki Tait in Sydney

Australian woolgrowers, who have been battling drought and slumping prices, finally got some good news yesterday when the federal government announced that it would abolish the 4.5 per cent tax levied to help pay off the A\$2.8bn industry debt that built up under the now abandoned

guaranteed price scheme.

Senator Bob Collins, the federal primary industries minister, described the move as "the first major step in removing the burden the industry has been carrying since the collapse of the Reserve Price Scheme".

He said the tax would be eliminated from July 1. A sig-

nificant portion of the debt -

Australian iron ore producers

yesterday announced that they had reached agreement with

the Japanese steel mills, their

major customers, for price

rises ranging from just under 5

per cent to over 7 per cent in the 1996 contract year.

Broken Hill Proprietary, the

Australian resources group,

was the first to reveal an out-

come to the annual round of

negotiations, saying it had won increases ranging from just

under 5 per cent to 6 per cent

BHP said that the increases

equated to a price of 28.78 US

cents a dry long ton unit for

Mount Newman fines, up by 6

per cent on the 1995 figure, and

903 1,389 25,345 925 1,180 16,775

man High Low Yel

911 932

for its Mount Newman ore.

By Nikki Tait

scheme, which will not be affected in any way by this decision," said Senator Collins. The annual amount levied

under the wool tax has been over A\$100m. The 4 per cent

37.68 cents for Mount Newman

lump, a rise of 4.99 per cent.

The company noted the rising

premium for lump ore, saying

that this had increased from

7.60 cents to 8.90 cents, or 13.3

per cent, over the past two

years. The new prices will

apply from April 1. Within hours, Melbourne-

based North also announced a

7.4 per cent price increase for

its Robe River iron ore fines,

with the guaranteed minimum

volume of 12.5m dry long tones. Mr Malcolm Broomhead,

executive director of operations, described the

increase as "a very good out-

Shares of the major iron ore

producers generally rose on

news of the Toyko negotia-

Sett Day's Open Price change High Low Vol let

63,400 -0,050 63,800 63,225 6,773 22,940 63,525 -0,425 64,075 63,450 9,500 23,066

come".

MEAT AND LIVESTOCK

FILLIVE CATTLE CME (40,000lbs; centa/bs/

industry promotion and research and development will by sales of the large wool stockpile, which also built up under the previous pricing scheme. For the past year,

Announcing the levy's abolition. Senator Collins also said that negotiations between China and the Commonwealth Bank of Australia over a credit line, said to be around A\$300m. to help Chinese importers buy Australian wool were progress-

"Wool International will The slump in wool prices in continue to be able to meet the second half of 1995 was its debt servicing commitments largely attributed to the from sale of the wool stockpile under the fixed disposal absence of Chinese buyers at Australian auctions. As prices fell, growers became increasingly concerned that WI's constant stream of stockpile sales were compounding the downturn - and pressure grew for some form of government relief

Japanese concede iron ore price rises

BHP was 18 cents higher at A\$18.63, while CRA increased by a similar amount to A\$19. Some nervousness had surrounded this year's negotiations, with Australian companies appearing anxious to lower expectations of a major price rise before the talks started. Market forecasts had been pitched around the 5 per cent mark.

in the previous year the Australian producers won their first iron ore price increase from the Japanese for three years - seven per cent on average. However, the continued difficulties being faced by the Japanese steel industry were thought likely to make further

increases tough to negotiate.

Guvanese sugar harvest below target

By Canute James

Guyana's 1995 sugar harvest yielded 249,840 tonnes of raws 2,160 tonnes less than 1994 production and 14,160 tonnes below the industry's produc-

tion target. Production was affected by a prolonged dry spell last year, according to the Guyana Sugar Corporation. But the year's output allowed Guyana to meet its export quota commitments to the European Union and the US, satisfy domestic demand and sell to other countries in the region.

Barbados, whose production has been declining, imports Guyanese sugar for the domes-tic market. The Guyana industry has forecast 1996 production of 282,000 tonnes.

 Boosted by good crop prospects after four years of drought, South Africa is exploring sugar export markets closer to home while at the same time maintaining traditional export commitments, industry officials said, reports Reuters from Johannesburg. Industry officials said good rains should boost output by some 25 per cent to 2.1m

the amount available for export in 1996-97. About 300,000 tonnes of the crop was effectively committed under long-term supply agreements, mainly with Far East countries, including Japan and Korea, said the South African Sugar Association's export

manager Mr Andrew Barr-Sim.

that contains the proposed con-COMMODITIES PRICES

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High/low AM Official	1547/1545 1548-46-5	1588/1585 1575-75.5
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Previous	1360-70	1395-400 1405/1400
High/low AM Official	1350-60	1391-92
Kerb close		1390-400
Open Int.	4,813	
Total daily turnover	1,413	
■ LEAD (5 per tonne		
Close	733.5-34.5	726.5-27.0
Previous	734-36 731	727-28 728/723
High/low AM Official	731-32	724-25
Kerb close		723-24
Open int.	32,530	
Total daily turnover	5.330	
NICKEL & per tor		
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Previous High/low	8220	8445/8270
AM Official	8230-35	8330-35
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Total daily turnover	4,442	
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Close	1041-42	1061-62
Previous	1045.5-46.5	1067-68
High/low	1047/1046	1070/1058 1058-67
AM Official Kerb clase	1940.5-47	1058-9
Open int.	76,134	
Total daily tumover	42,648	
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Previous High/fow	2560-65 2560/2558	2533/2483
Mgrziow AM Official	2655-57	2510-11
Kerb close		2484-5
Open int.	172,208 55,820	
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Gold(Troy oz)

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Gold Color Krugomand Maple Leaf

PRECIOUS METALS

\$ price

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403.35 406.60

407.60-408.00

402.50-402.90 402.70-403.10

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\$ price 402-405 418.75-421.35

551.75 557.80 563.45 575.30

£ equily. 265-267

I LONDON BULLION MARKET (Prices supplied by N M Rothschild

4129 +32 414.0 4125 957 10,444 414.4 +3.1 - - - -+4.3 430.0 422.5 +4.3 431.0 427.5 +4.3 431.0 428.5 +4.3 434.0 434.0 E PALLADIUM NYMEX (100 Troy oz.; S/troy oz.) 731.25 +1.20 132.75 129.75 608 4,711 132.65 +1.35 134.00 130.75 180 1,470 135.15 +1.35 - 1 130 788 8,211 SELVER COMEX (5,000 Troy oz.; Cents/troy oz.) +5.9 557.0 597.0 1 2 +5.8 563.5 549.0 16,945 58,294 +5.6 568.5 559.0 562 14,424 +5.4 572.5 565.0 127 7,581 +5.3 575.0 570.0 66 9,402 +5.2 582.0 578.0 413 8,002 **ENERGY** 17.53 40,882 80,608 17.52 20,804 48,282 17.41 8,807 31,311 6,591 38,765 5,371 25,780 634 17,838 1,023 129 50 16,142 7 129 8,303 5 50 4,580 27,804 152,799 \$3.25 \$1.90 22,179 24,594 \$2.45 \$1.10 14,737 32,807 \$0.35 49,35 3,917 13,234 48,50 47,75 1,121 7,034 47,70 47,05 2,013 9,510 47,55 47,20 421 5,556 \$47,50 47,20 421 5,556 1,121 7,034 1,121 7,034 1,2013 8,510 421 5,556 45,563 108,236 -180 119.00 117.25 228 1.273 -2.55 118.00 115.40 218 1.674 -2.60 116.60 113.50 6.889 26.989 -2.55 113.80 112.60 16 922 -2.55 113.25 111.00 543 8,138 -2.50 2 727 157.50 154.76 155.25 - 157.30 164.75 (4861 20.017 182.76 - 1.00 155.00 152.50 4,525 14,006 150.90 -1.25 152.75 150.25 1,424 7,870 148.90 -1.00 150.75 149.00 482 3,538 147.75 -0.75 149.97 148.25 122 5,182 147.75 -0.50 148.25 148.90 60 4,546 MATURAL GAS MYMEX (10,000 mmBlu.; \$/mmBlu.) 266.027 478.575 268.347 482,309 MYMEX (42,000 US galls.; c/US pails.) 54.90 58.70 9.501 15,678 -0.40 -0.36 -0.30 53.00 55.50 984 7,735 988 3,800 511 3,681

GRAINS AND OIL SEEDS Precious Metals continued ■ GOLD COMEX (100 Troy as:, \$/troy as.) E WHEAT LCE (2 per tonne) Sett Day's 122.55 +0.20 122.75 122.00 297 2,370 124.50 +0.10 124.75 124.00 253 3,310 126.50 +0.10 change High Low Yel 113.40 +0.60 113.50 112.85 200.0 185.0 210.0 225.0 1520 1455 1455 1453 1336 1405

480.75 -1.00 481.75 486.50 13.907 51,146 480.50 -2.25 463.50 459.75 2,239 11,351 425.50 -4.00 430.50 423.00 5394 33,149 427.50 -4.00 431.00 423.00 526 3,078 485.25 -4.25 440.00 435.00 526 3,078 380.00 +1.50 - 6 135 III MAJZE CBT (5,000 bu mirc cents/56fb bushel) 356.25 -2.50 380.50 355.75 36,839 1,757 358.75 -3.00 383.00 358.25 12,435 117,315 353.50 -3.50 357.50 353.25 10,988 87,477 902.75 -225 306.25 302.25 2.231 35.268 280.75 -1.00 292.25 288.50 3,916 54,314 294.00 -1.00 2927.75 294.00 .228 3,735 86,786 481,443 113.25 +0.4 112.90 112.50 114.50 +0.40 114.55 114.50 116.25 +0.35 116.45 116.00 108.00 +1.00 - 110.50 +1.00 - 109.00 EL SOYABEANS CET (5,000bs sale; contestiüb bushei) 725.50 -9.75 736.00 725.00 25.877 92.338 732.00 -9.25 742.25 731.00 5.576 31,005 735.25 -9.00 745.00 736.00 5,770 31,586 732.75 -6.50 738.00 732.00 147 2,904 709.00 -9.25 718.00 708.50 139 2,710 693.75 -7.75 702.00 693.50 3,457 34.088 III SOYABEAN OF CBT (60,000fet certs/fb) 24.11 -0.01 24.32 24.08 8.935 44.494 24.45 - 24.70 24.45 2,924 18,579 24.79 - 25.02 24.78 2,939 13,957 24.59 40.01 25.13 24.55 346 3,847 25.05 - 25.22 25.10 308 2,013 25.15 -0.05 25.30 25.18 57 1,845 E SOYABEAN MEAL CET (100 tons; \$/ton) -5.1 234.8 230.0 9,940 48,810 -4.8 236.6 232.4 4,284 18,627 -4.5 237.8 233.0 2,424 17,080 -4.2 235.1 231.5 535 2,913 -6.2 230.0 227.0 177 2,149 -2.8 230.5 218.5 3 1,312 -2.8 230.5 218.5 3 1,312 POTATOES LCE (Extonne) +10 1520 1515 +5 1485 1450 - 1485 1455 +13 1485 1440 +10 1260 1330 - 1415 1405 923 449 408 1,386 1,090 316 4,898 20 52 72 194 21 59 300 FUTURES DATA All futures data supplied by CMS.

Wool Prices at wool excitors this week were generally a Ride easier. Changes were only small and not invariably chasper, however, so the overall market impression is of softness but no definishe decline beyond 1986's low points. The Australian easeem market indicator exceed at 610 cents, from 617 a week before, the weetern indicator was 983, 10 cents lower than two weeks before, and New Zeekand's indicator was 19 cents lower than lest week at 513. Growers are again withdrawing wool ather than see it sell at what they feel are unsatisfactory prices, the proportionising 15% of the total offering in Australia on Jenuary 23, and 29% in New Zeekand on Jenuary 24. Demand from consuming counties in Europe and the Fer East remains stugglet, and while the wool industry—may not be in deep recession, depressed and competitive trading is general.

297 10,959 441 27,180 5,086 130,854 1253 5,662 1278 1,696 1302 919 1324 551 1336 179 1365 108 5,662 33,530 1,696 23,508 919 8,768 551 9,564 179 8,766 109 6,570 9,122 82,200 1271 1294 1315 1258 1291 1314 E. COCOA (ICCO) (SDR's/tonne) Price 1945 1955 1765 1688 1686 1646 1948 168 388 1915 4,766 17,070 1737 4,257 12,539 1865 2,022 4,086 1647 620 2,245 1640 124 582 +17 +49 +41 +27 +33 +16 Jan Mar May Jal Sap Nov Total 1980 1957 111.75 +2.85 111.90 198.80 8,868 15,003 110.45 +2.75 110.50 108.50 1,906 6,777 108.50 +2.50 108.50 108.00 555 2,920 108.80 +2.30 109.50 107.25 118 1,806 107.50 +1.75 107.75 107.90 122 938 107.75 +2.25 107.25 106.80 10 178 118 1,506 122 938 10 178 9,379 27,456 107.50 +1.75 107.75 107.06 107.75 +225 107.25 106.80 COFFEE (ICO) (US cents/pound) # WHITE SUGAR LCE (\$/tonne) 3827 +22 3826 3805 287 10,227 3802 +29 3805 3473 804 9,860 3337 +14 3337 3325 387 4,862 3073 +05 3079 3065 297 3,983 3007 +07 307.0 300.5 80 2,220 2985 +07 307.0 307.0 2 529 B04 9,860 387 4,982 297 3,983 50 2,230 2 529 1,833 32,867 ■ SUGAR '11' CSCE (112,000ths; cents/fbs) May 11.72 +0.05 11.77 11.64 10.40

May 11.07 -0.03 11.12 11.03 5.75

Jul 10.24 +0.07 10.29 10.18 4.00

Oct 10.01 +0.03 10.05 9.86 1.80

May 9.70 +0.02 9.77 9.70 4

Tetal 21.01

E COTTOM NYCE (50,000bs; cents/be) 11.72 +0.05 11.77 11.84 10.400 58,285 11.07 -0.03 11.12 11.03 5,754 31,282 10.24 +0.07 10.29 10.18 4,005 21,755 10.91 +0.03 10.05 8,96 1,960 21,956 8,86 +0.03 9,85 9,76 152 12,281 9,79 +0.02 9,77 9,70 48 2,020 21,982 48,794 48,794 87.74 +1.32 88.25 86.4213,822 20,396 87.32 +1.08 87.70 88.00 4,511 12,840 86.30 +1.02 86.70 85.20 1 80.45 +0.25 80.50 80.10 78.25 +0.10 78.35 77.80 1 78.95 +0.07 78.90 78.90 85.20 1,912 7,980 80.10 233 1,758 77.80 1,163 11,725 ■ ORANGE JUICE NYCE (15,000/bs; cents/fbs) 117.45 +1.55 117.50 115.50 846 15.203 119.25 +1.55 119.50 118.00 257 3,776 121.15 +1.45 121.15 119.75 28 1,385 122.50 +2.05 122.75 121.25 25 1,138 118.70 +1.20 118.70 118.70 41 587 INDICES E REVIERS (Base: 18/9/31=100) Jan 25 Jan 24 month ago year ago 2144.2 2132.0 2095.1 2279.0 E CRS Pateres (Base; 1987=100)

Jan 23 month ago yeer ago 241.98

16 GSCI Spot (5986: 1970-100)

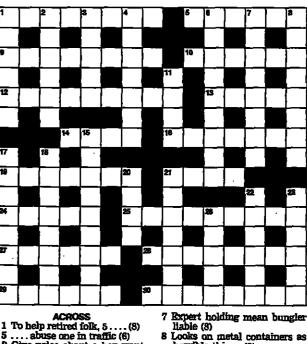
46,450 +0,675 48,550 45,575 3,821 8,573 44,650 +0,225 45,200 44,350 3,246 11,923 50,150 +0,050 50,375 49,575 974 7,026 42,650 -0,100 49,450 48,550 143 2,226 47,625 -0,400 48,250 47,750 99 3,256 44,150 -0,575 44,775 44,100 27 1,572 44,150 -0,575 44,775 44,100 27 1,572 44,775 44,775 44,100 27 1,572 44,775 44,77 # PORK BELLIES CME (40,000fbs; cants/fbs) 55.025 +2.000 55.025 53.150 1,154 3,509 54.975 +1.825 55.100 53.200 431 1,852 55.175 +1.475 56.700 52.750 334 1,194 53,150 +1,125 53,650 62,000 LONDON TRADED OPTIONS Apr 27 75 149 B 63 Apr 138 82 43 3 23 78 42 84 145 E COFFEE LCE May E COCOA LCE Apr LONDON SPOT MARKETS ■ CRUDE OIL FOB (per barrel/Mar) -0.800 -0.395 \$17.00-7.05 \$16.60-6.65 \$17,73-7.74w IN OIL PRODUCTS NW prompt delivery CIF (torne) \$179-181 0171) 359 8792 Gold (per troy cz) §
Silver (per troy cz) §
Phatinum (per troy cz.)
Patadium (per troy cz.) \$407,00 559,50 \$421,00 \$129.00 +0.75 Copper Lead (US prod.) 'Tin (New York) Tin (New York) 119,0c 41,75c 15,89m 298,5c Castle (live weight): Sheep (live weight): Pigs (live weight): 119.36p 124.81p 111.03p +3,48° +9,28° Lon, day sugar (ray Lon, day sugar (w) \$315.0 \$376.0 +0.4 +1.0 Barley (Eng. feed) Matte (US No3 Yellow) Wheet (US Dark North) 119.0u 41.73z Unq Rubber (Feb)* Rubber (Mar)* Rubber (KL RSS Not) 104.75p 104,750 361,00m -0,50 Coconut Ot (Phil)§ \$745.0y \$535.0y 478.0 +2.5 +10.0 Pairs Of (Maley.)§ Copra (Phil)§ ene (US)

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CROSSWORD

No.8,977 Set by VIXEN



ACROSS

1 To help retired folk, 5.... (8)

5 abuse one in traffic (6)

9 Give voice about a boy wanting fresh food (8)

10 Cut string that's tough (6)

12 The sum required for building work (9) 18 Taking time to muse (5) 14 Make progress with due defer-

ence (4) 16 The dotty type! (7) 19 Unusually nice lad from the country (7)
21 The head quietly scoffed (4)
24 Spoke about the little page being most pleasant (5)
25 Think to being most pleasant (5)
25 Think to put money into
some high-risk investment (9)
26 The employment of superior

27 A witty saying about a conti-nental lot (6) 28 Force might affect one's view of things (8) 29 Fears sadder outcome (6) 30 Leftist accepting a few lines must be withdrawn (8)

1 Act before a girl mounts a hanging in the church (6)

2 Charge everybody say a quarter (5) 3 The crest where soldiers possibly dig in (5) Wound dressing (7) Coarse yet popular English supporter, a hard worker (9)

MISMATCH DORSET
E P G A P L T R
DELHA TERMINATE
I E I V T N
CONUNDRUM EMEND
O D S E E R
TO T R
PARCHED PILIFER
O E E R D R
PARCHED PILIFER
O MING GLASSWARE
N R R T T N
FUNDAMENT ICING
E E L T O A
DARING METHANOL

Solution 8,976

horrible things (8) 11 Some rather big leaves used

15 Left flat on a bed and in a bad

evergreen settled (5-3)
18 The odd people he would allow a private viewing (8)

by the cook (4)

INTERNATIONAL CAPITAL MARKETS

Rising gold prices and default concerns drag Treasuries lower

By Lisa Bransten in New York and Martin Brice in London

US Treasuries were hit by rising gold prices, supply pressures and fears of default, causing European government bonds to erase their early gains. French bonds slipped on disappointment an expected interest rate cut failed to arrive and UK gilts fell through support levels in technical trading. German bonds fell in spite of data pointing to weak inflation, and Swedish bonds had another volatile

An increase in gold prices, supply pressures generated by Wednesday's auction of five-year notes and nervousness about a possible default by the US sent Treasury prices lower in early trading yesterday.

Near midday, the benchmark 30-year Treasury was \$\frac{1}{2}\$ lower at \$110\frac{1}{2}\$, to yield 6.095 per cent, while at the short end, the two-year note was off \$\frac{1}{2}\$ at \$99\frac{1}{2}\$, yielding 5.100 per cent.

In early trading, the five-year

yielding 5.100 per cent.
In early trading, the five-year
note led the market lower as
dealers distributed bonds purchased at Wednesday's auction. By early afternoon, the
five-year Treasury was a lower
at 992, to yield 5.380.

at 992, to yield 5.380.

Mr Kevin Sluder, a senior fixed-income trader at First Chicago NBD, attributed yesterday's losses mostly to distribution of the securities from the auction, but said there were some "jitters" in the market about the possibility that the US could default on its obligations

obligations.

Late Wednesday, Moody's Investor Services, the US credit rating agency, sent a chill through the soaring market by putting \$387bn of US Treasury debt on review for a potential

debt on review for a potential downgrade. Treasury Secretary Robert Rubin said earlier this week after March 1 unless Congress raised the federal borrowing

Also putting pressure on bonds were gains in the price of gold and rumours that some large hedge funds were selling bonds to buy gold. In late morning trading, the price of gold pushed through \$107 an ounce, its highest level in 2½

Economic data out yesterday, however, was supportive of the consensus that the economy is slowing. Existing

GOVERNMENT BONDS

homes sales fell 3.2 per cent in December to 3.9m, the first time since July that they have been below 4m. There were 97,000 new claims for unemployment benefits last week, the biggest jump since July. However, analysts attributed at least part of the rise to the blizzard and the government shutdown that caused many people to put off filing claims

■ German bonds started strongly but fell later in line with Treasuries. Economic data from Baden-Wuerttemberg and Bavaria had little impact since it merely confirmed a benign inflation out-

The yield on benchmark twoyear paper rose 1 basis point and that on 10-year paper by 3 basis points, with the spread between the two maturities increasing 2 basis points to 226. On Liffe, the March 10-year bund future closed at 100.63, down 0.55 on the day. The yield spread of 10-year bunds over Treasuries moved from 10 basis points to 8 basis points.

■ French bonds were unsettled by the weaker franc yesterday, the lack of a cut in the

in Treasuries. On Matif, the March 10-year future settled at 122.92, down 0.02, while March Pibor fell 0.06 to 95.32. The spread over 10-year German paper tightened 4 basis points to 51.

■ Italian bonds were troubled by domestic politics, and the spread over Germany widened 10 basis points to 446. In a volatile day's trading, the future opened at 112.55 and hit a low of 111.45 before closing at 111.53, down 0.88.

Traders said there had been a bout of profit-taking and sentiment was affected by the lack of progress in agreeing a new government.

■ Swedish bonds had a volatile day and the yield spread over German 10-year paper widened from 245 basis points to 262 basis points. The yield on five-year paper rose 23 basis points, although some traders said the market was oversold and there might be a squeeze today. Much of the selling was said to have been done by domestic investors.

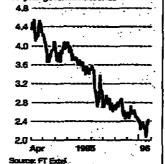
Mr James Stewart, head of research at Enskilda, said: "Although there are risks in this market, it would be unwise to exaggerate them. On a fundamental basis, there is clear evidence of a slowing of growth and a moderation of

■ UK government bonds spent the day in largely technical trading after opening firmer on the back of the surge in Treasuries overnight and strength in the bund market. The long gilt future on Liffe tested the 112.08 level and ran into aggressive salling that drove it down to close at 111¼, off %. A trader said: "The rot had set in before the US opened."

The 10-year yield spread over Germany widened by 3 basis pints to 165, and some traders say it could go to about 175

Yield spread

Sweden over Germany 10-year government bonds



before the auction on Wednesday of the 8 per cent stock, due 2000. Supplies of that bond have become tight; some traders attribute this to attempts by large investors to acquire much of the stock before the auction, making it expensive for others to short it.

The Bank of England vester-

The Bank of England yesterday outlined its plans for an official facility to strip UK government bonds, allowing to principal and coupon of a bond to be held and traded separately, writes Richard Lapper. The plans were first

announced isst year.

The Bank confirmed that strips would "probably not" be introduced before the introduction early next year of the electronic gilts settlement system. It said both coupon and principal strips would be fully fledged gilts and liabilities of the UK government.

the UK government.

It added that strips would be traded in the same way as coupon-bearing gilts and that initially only conventional gilts—rather than index-linked gilts—would be stripped.

The Bank said it did not intend to issue zero coupon gits directly. This possibility, and the possible extension of stripping to the index-linked market would be considered in the light of experience.

Chicago exchanges to discuss merger

By Richard Lapper

Chicago's two futures exchanges are to examine the potential "for common initiatives, including a possible merger", following a meeting this week between senior executives at the two markets.

The move revives an idea which was downplayed earlier this month by the Chicago Board of Trade (CBoT) and the Chicago Mercantile Exchange (CME), the world's two biggest organised derivatives markets.

hetween the two Chicago markets has been intense but both are under pressure to cut costs as a result of a decline in volumes last year and increasing international competition. Mr Jack Sandner, chairman of the CME, and Mr Patrick

Traditionally competition

Arbor, chairman of the CBoT, will co-chair a joint strategic committee which will explore the potential for co-operation. "Everything on the table from buying pencils together to merging," said Mr Sandner. "I am very enthusiastic about the potential of our two institutions coming together in a number of technological initiatives, co-operative efforts and cost-cutting measures that will

enhance our competitive position in the world. Mr Arbor said the "agenda of this joint committee is to focus on common initiatives that will better the interests of our members and customers". Professor Merton Miller of the Chicago University's Grad-nate Business School, will serve as executive director of the committee, whose other members include representatives of member firms and traders at both markets, and senior figures in the US derivatives industry, including Mr Leo Melamed and Mr Richard

Bayerische Landesbank issue hit by fall in prices

By Conner Middelmann

Volatile conditions in the underlying government bond markets spelt a turbulent ride for some of yesterday's new bond issues.

In the D-Mark sector, the biggest casualty of the late decline in prices was a DM1.5bn 10-year issue for Bayerische Landesbank, launched late in the day. Priced at 25 basis points over bunds, the yield spread narrowed to 22 basis points as the underlying bund market spiked lower, and widened to 27 basis points after the bonds were freed to trade.

The handling of the issue

sparked widespread criticism

from underwriting banks. "The market was collapsing when they priced it — to price a fixed jumbo into a falling market is a disaster," said one dealer. Another added: "It would have been more sensible to market it on a spread basis overnight and to price it in the morning."

CS First Boston, joint lead manager with Bayerische

Vereinsbank and IBJ, admitted

the timing had been "unfortunate", but said that the "issuer wanted to do the deal then".

The 10-year D-Mark sector was in poor shape yesterday, staggering under the weight of some DM6.5bn of recently issued bonds. As a result, spreads on new bonds have widened by about 3-4 basis points from their launch levels,

dealers said. In the US dollar sector, two issuers managed to exploit a loophole in regional Swiss tax

INTERNATIONAL BONDS

regimes, which treats capital gains accruing to private investors in certain cantons more favourably than income, by issuing low-coupon bonds at a discounted price.

discounted price.

BNG, the Dutch municipal bank, took advantage of this opportunity to issue \$200m of 3 per cent, five-year bonds at a \$9.80 re-offer price, yielding flat on US Treasuries. "Investors

get a lot of upside from the

loophole, so they are willing to take paper that's flat to Treasuries," said a syndicate manager at lead manager ABN AMRO Hoare Govett.

Shortly afterwards, SBC Jersey Branch tapped into the same pool of investors with a \$250m issue of 3 per cent five-year bonds via SBC Warburg. Dresdner Finance issued \$300m of six-year bonds targetted mainly at European retail investors, although some also went to UK institutions, said a dealer at Merrill Lynch, joint bookrunners with DKB and Dresdner Bank. The bonds yielded 24 basis points over the

five-year Treasury.

Abbey National was busy in the sterling sector. It reopened an issue of perpetual preference shares it launched last October, doubling it by another £100m. The paper was priced to yield 185 basis points over

Abbey National also did a £75m structured floating-rate note issue via BZW, driven in part by a handful of large institutional buyers.

Rongwer	Amount :	Couper	Price	Maturity	Foos	Spread bo	Book remiter -						
US DOLLARS					.~	- up	· . •						
Dresdner Finance	300	5.825	99.837R	Feb.2002	0.275R	+24(534%-01)	DKB/Dresdner/Memili Lynchi						
SMC Corp.(a) 🏺	300	3.125	100.00	Feb.2001	2,25	• •	Niko Europe .						
SSC Jersey Branch	250	3.00	89.B2R	Feb.2001	0.25R		SBC Warburg						
BNG CSFP(b)	200 50	3.00 2.00	89.80R 101.25	Feb.2001 Feb.2000	0.25R 0.65	flat(Wi 5yr)	ABN Armo HG/PalneWebber CS First Boston						
			101.25	100.200	0,60		CS FIRST BOSKON _						
D-MARKS	:_	· · ·		-									
Bayerleche Landesbirnk SGZ Bank	1,5bn 300	B.00	99.53R	Feb.2006 Feb.2003	0.325R	+25(6%-06)							
Sointaht	200	5.75 (c)	101.80 98.964	Feb.1998	2.25 0.10	-	ABN Anno/Lehman Bankhaus SBC Warburg						
LW Rentemberict	100	(6) ⋅	95.50R	Mer.2006	0.325R.		Morgan Stanley Bank -						
STERLING													
Abbey Nati Treasury Services:	75	(e) .	100.00R	Feb.1998	0.108	-	Barciays de Zoete Wedd '						
LIDIENBOURG FRANCS		<u></u> _											
Krediatbank Luxembourg	2bn	6.375	102.75	Mar.2006	2.00		Krediethenk Lusembourg						
Crédit Local de France(I)	2bn	- 6.76	102.30	May 2003			BIL .						
AUSTRALIAN DOLLARS						· · · · · · · · · · · · · · · · · · ·							
ABN Amro Australia	100	7.50	101,075	Mer.2000	1.75	· -	ABN Artero Hoere Govett						
SOUTH AFRICAN RAND													
Deutsche Finance(Neths)	250	18.00	101_15	Feb.2001	1.50	· · -	Deutsche Morgan Grenfell						
CZECH KORUNA	<u> </u>			· ·		-	•						
Swedish Export Credit	20n	10.00	100,34R	Feb.1997	0.25R		Bayarlache Vereinsbenk						

		would not s obligatio		y, the lavention	ck of a c rate and	ut in the the fall				traders bout 175		et would ght of ex			Leo Melamed and Sandor.	Mr Ric	hard	LEDO:	iomura +15bp	Singapora. for 1st yr.
WORL	D BON	PRICES																		
BENCH	MARK	GOVERNIN	ient bo		147			FUTURES			250,000 pc	inta of 100%			FT-ACTUARIES					
		Red Coupon Date	Price	Day's change	Weal Yield ago		Strike Price	Mer	Apr C	May	Jun I	Mar Apt	PUTS —	Jun	Price Indices UK Gilts	Thu Jan 25	Day _chang		Wed Jan 24	Accrus Interes
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Belglum		6.500 03/05	101,3500	-0.180 (6.30 6.30	6.72	10150	0.30	0.30	0.48	0.68 0	.98 1.70	1.88	2.06	2 5-15 years (21) 3 Over 15 years (නි)	151,96 168.17	-a.	45	15241 168.94	2.70 2.46
Caneda * Denmark		8.750 12/05 8.000 03/06	108,5400	+0.980	7.12 6.99 6.80 6.88	7.38 7.34	Est. vol. 100	al, Cada, 254	465 Pubs 13	831. Previous	dey's open	int., Cata 1990	864 Puts 171	239	4 irredeemables (6) 5 All stocks (57)	194,89 146,34	+0. -0.		194.38 146.68	
France	BTAN OAT	7.000 10/00 7.250 03/08			5.41 5.37 5.38 6.31	5.97 6.85	Italy							· -				٠.		
Germany B		6.000 01/06 6.000 08/06	101.0900	-0.460	5.85 5.79 7.24 7.22	6.09 7.48	MOTION ME	NAL MAU Lira 200r	IAN GOVT n 100ths o	. BOND (81 v 100%	IP) FUTUR	ES .			Index-United	<u></u>	·: <u> </u>		<u>.</u>	
ltaly		0.500 09/05	102,8500	-0.370 10.	09.9 720.	10.89		Open		ca Change	High	LOW	Est. voi	Open int.	6 Up to 5 years (1) 7 Over 5 years (11)	198.46 190.24	+0.		196.44 190.88	2.21 1.14
Japan	No 129 No 174	6,400 03/00 4,600 09/04			1.73 1.89 2.97 2.92	1.35 2.85	Mar	112.55			112.55	111.45	60787	62554	8 All stocks (12)	190.29	0.		190.72	
Netherlands Portugal		6.000 01/06 11.875 02/05			5.85 5.77 9.21 9.21	6.71 10.14	Jun Tajiaj	112.20 GOUT. F			112.20 COTTIONS	111.10 (UFTE) Ural	239 200m 100#	2953 = of 100%	Avesige gross redemption y	acr au 100	m 20042.	. Coupo	d Samos:	LOW: 076-79
Spain Sweden		0.150 01/08 6.000 02/05	103,4000	-0.380	9.45 9.28 9.25 7.92	10.01 8.70	Strike			ALLS			PUTS		-					
UK GR		8.000 12/00	105-09	-B/32 (8.70 8.55	6.83	Price 11100		Maz	Ju		War		den a						
		8.600 12/05 9.000 10/08	111-25	-20/32	7.38 7.24 7.54 7.42		11150		1.48 1.20	2.4 2.1	9	0.99 1 <u>.2</u> 1	2	2.41 2.66	FT FIXED INTE				29 has	19 Yrago
US Treasur	у.	5.875 11/05 6.875 08/25			5.69 5.64 8.10 5.98	5.73 6.06	11200 Eal. vol. tob		0.95 6 Pata 2576	1,9 R Previous de		1.46 . Casts 75026		293	Gort. Sacs. (UK) 95.6		95.98			
ECU (Frenc	th Govil) ng, 146w York	7.500 04/05	105,2500		9.71 6.64 Solet Local ma											1 114.73	114.74	115.2	3 115,0	109.11
† Gross (incl	uding withhold	ing tex at 12.5 pe	r cent payable i		덕		Spain	UAC SDAN	RSH RONI	FUTURES	AATES				10/26 and Flund Interest 192					arracit for a
		hers in decimal			Source: MAR		110110	Open		a Change	High	Low	Est vol.	Open int.						
us int	EREST	RATES .					Mar	98.15	97.29	-0.61	98.19	97.18	74,541	55,870	FT/ISMA INTER	NATION	AL B	OND	SER	VICE
Latest		Arra masks	Treesury	BEEst and Box		E 10	uK								Usted are the latest internation	nel bonds for	which to	na is a	actors as	p accorder
Prime rate Broker kyan ra		One mode 84: 700 couch 74: Three more		5.52 Two y 5.26 Three y 5.12 Flee y	Y667	5.12 5.21		IAL UK G	alt Futur	RES (LIFTE)	250,000 3	2nds of 1009	6				Offer		-	
Fed funds Fed funds at a		75. Three mont 52. Six month . Own year		5.12 First y 5.11 10-78 5.05 30-78	er .	5.70 6.11		Open	Sett pric	_		Low		Open int.	U.S. DOLLAR STRAIGHTS			,		Smoon 89
		,			_		Mar Jun	112-04 111-18		-0-20 -0-21	112-08 111-18	111-05 110-29	67400 585	146382 863	Abbey Natl Tressury 5 97 Abbey Natl Tressury 6 ¹ 2 03		102		5.39 6.10	United Kingo Volkswagen
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							Strike Price	 Mar	C	ALLS	Just N	Agr Apr	PUTS Many	,Jun		_ 1000 105	2 1057	<u> </u>	5.43 6.08	
BOND	FUTURE	S AND O	PTIONS				111	1-09	1-10	-	-50 O-	•	1-57	2-10	Austria 8 ¹ 2 00	400 11	0 1104	; 3	5.64	SWISS FITA Asian Day B
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France							-	_				Callo 25128		•	Beger Vereinstok 8 ¹ 2 00 Belgrun 5 ¹ 2 03	_ 500 108		, - 1 ,	5.73 8.03	Denmerk 4 ¹ 4 EBB 3 ¹ 4 BB
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CURRENCIES AND MONEY

Tensions over monetary union lift the D-Mark

By Graham Bowiey

Political worries and renewed tensions over European mone-tary union hit the Italian lira and French franc yesterday as the D-Mark emerged as the most favoured safe-haven cur-

The D-Mark's gains brought the dollar's recent rise to an abrupt end for most of the session before the dollar surged in late trading on reports that a German official had said he favoured a weaker D-Mark.

Worries that the US government might default on its debt obligations, which caused a sharp sell-off in US government bonds, continued to dog

the US currency.
The Canadian dollar fell after the Bank of Canada cut short-term interest rates and on news of a cabinet reshuffle. The Swedish krona and Finnish markka came under pressure over fears that slower growth could undermine these

countries' fiscal positions.

■Foreign exchange markets saw a fair degree of volatility yesterday as worries about the US budget stand-off, European monetary union and specula-tion about cuts in US and European interest rates buffeted currencies.

Fears that slower growth across Europe might mean some countries would not meet the Maastricht criteria for monetary union continued to unnerve currency markets. Signs of political unrest in

France and Italy added to these concerns. Investors fear the French and Italian governments may not be strong enough to push through planned cuts in government spending necessary to satisfy the criteria, analysts said.

Pound in New York ·---Close 1,5075 1,5065 1,5047 1,4950 1.5115 1.5105 1.5086 1.4998 Mr Paul Meggyesi, currency strategist at Deutsche Morgan Grenfell, said: "There is a sim-mering feeling that if social unrest does come back to the fore in France then the government would be vulnerable and the franc would suffer."

Rumours that the French and German authorities might be planning a devaluation of the franc and that the franc might then be pegged more closely to the D-Mark were denied by the French and German authorities but nevertheless caused some franc weak-

The Bank of france left its intervention rate unchanged at its securities repurchase ten-der, despite speculation that the rate might fall following Wednesday's drop in the German repo rate. The franc finished weaker

against the D-Mark, at FFr3.439 from FFr3.430. The lira closed at L1,078 against the D-Mark, from L1,075, following speculation

Against the Yen (V per \$)

1993 94 ource: FT Extel that an early general election might be called in Italy.

finance ministry officials favoured a stronger dollar close to DM1.60 caused a late

rally in the US currency.

Mr David Brown, an economist at Bear Stearns, said the dollar's volatile movements through the day were "symp-

tomatic of the current nervous SKr4.632 despite the decision state of the markets due to the risk of debt default in the US and political risk in Europe".

The dollar began the Euro-pean session lower after an overnight sell-off. Continued nervousness over the US bud-get and reports that Moody's, the international credit rating agency, had placed \$387bn of US debt on review for possible downgrade then weighed on

the currency.
The dollar finished in London at DM1.4763 from DM1.4803. It finished against the yen at Y106.4850, from Y106.7650.

■ The Canadian dollar ended the European session lower after the Bank of Canada cut its target range for the over-night financing rate by a quarter-point.

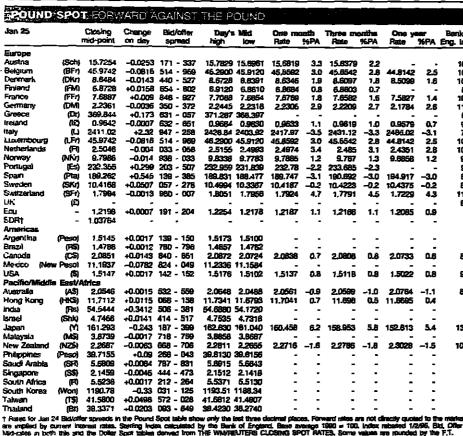
It closed at C\$1.3766 from C\$1.3687 against the US dollar The Swedish krona ended sharply lower against the D-Mark at SKr4.660 from by the Swedish central bank to leave interest rates unchanged. The finnish markka also lost

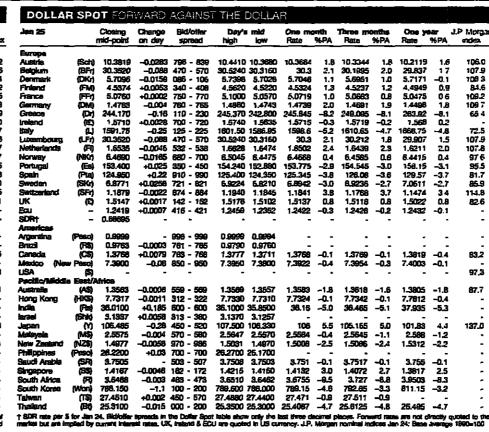
ground against the D-Mark. "Markets suspect that given the slowdown in Finland, the authorities cannot afford or maintain a strong interest rate policy," said Mr Meggyesi.

■ The pound was left largely on the sidelines as movements kets dominated. Sterling ended slightly lower against the D-Mark, finishing at DM2.2361 from DM2.2397. It finished slightly higher against the dollar at \$1.5147 from \$1.513.

Sterling's trade-weighted exchange rate index was

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The FT GUIDE TO WORLD CURRENCIES, published in Monday's

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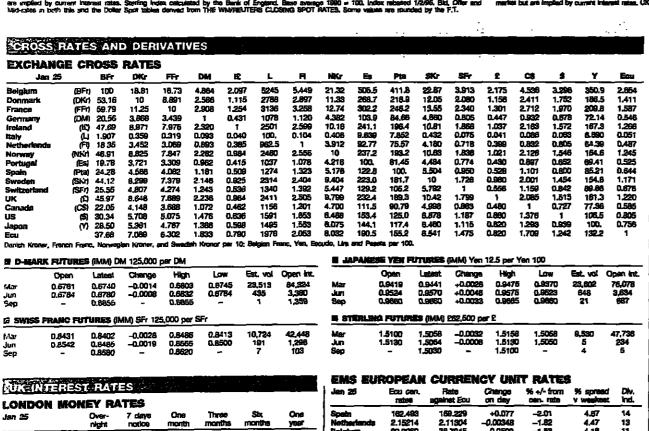
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FAST 64 KBIT SATELLITE TECHNOLOGY

FOR COMPLETE REAL-TIME DATA OF THE US AND EUROPEAN EXCHANGES

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WORLD INTEREST HATES



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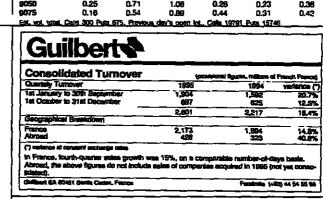
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CONTRACTS & TENDERS

TENDER ANNOUNCEMENT ISKENDERUN IRON AND STEEL WORKS CO. (ISDEMIR) TURKEY

2,100,000 METRIC TONS OF COKING COAL TO BE IMPORTED

1. For the requirement of our Plant during the July 1996/June 1997 contract year, approximately 2,100,000 metric tons of coking coal will be imported from the following origins:

From USA 700,000 m. tons (Med. Volatile) From Australia 360,000 m.tons (Med. Volatile) 360,000 m.tons (Low Volatile) From Australia From Canada 360,000 m.tons (Med. Volatile) 200,000 m.tons (Med. Volatile) From Poland 120,000 m.tons (Med. Volatile) From Other Countries

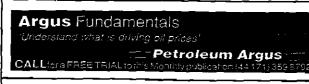
2. Tender Documents will be available for sale from 5th February 1996 and may be obtained at the following offices upon the payment of TL 70,000,000 (incl. VAI) non-refundable fee per set.

Iskenderun Iron and Steel Works - Turkish Iron and Steel Works İsdemir A.S. Genel Müdürlügü Tedarik Ikmal Müdürlügü Iskenderun-TURKEY Fax: 90 326 7551184

TDÇI Genel Müdürlügü Ziya Gökalp Cad, No: 80 Kurtulus/Ankara-TURKEY Fax: 90 312 4344706

3. Sealed offers prepared in compliance with Tender Requirements must be received at "Iskenderun Demit ve Çelik A.S. Genel Müdürlügü, Haberlesme Servisi, Iskenderun Turkey" at the latest by 14.00 hours Turkish local time on Friday 8th March 1996. Offers shall be opened at 14.30 hours the same day in the presence of interested bidders.

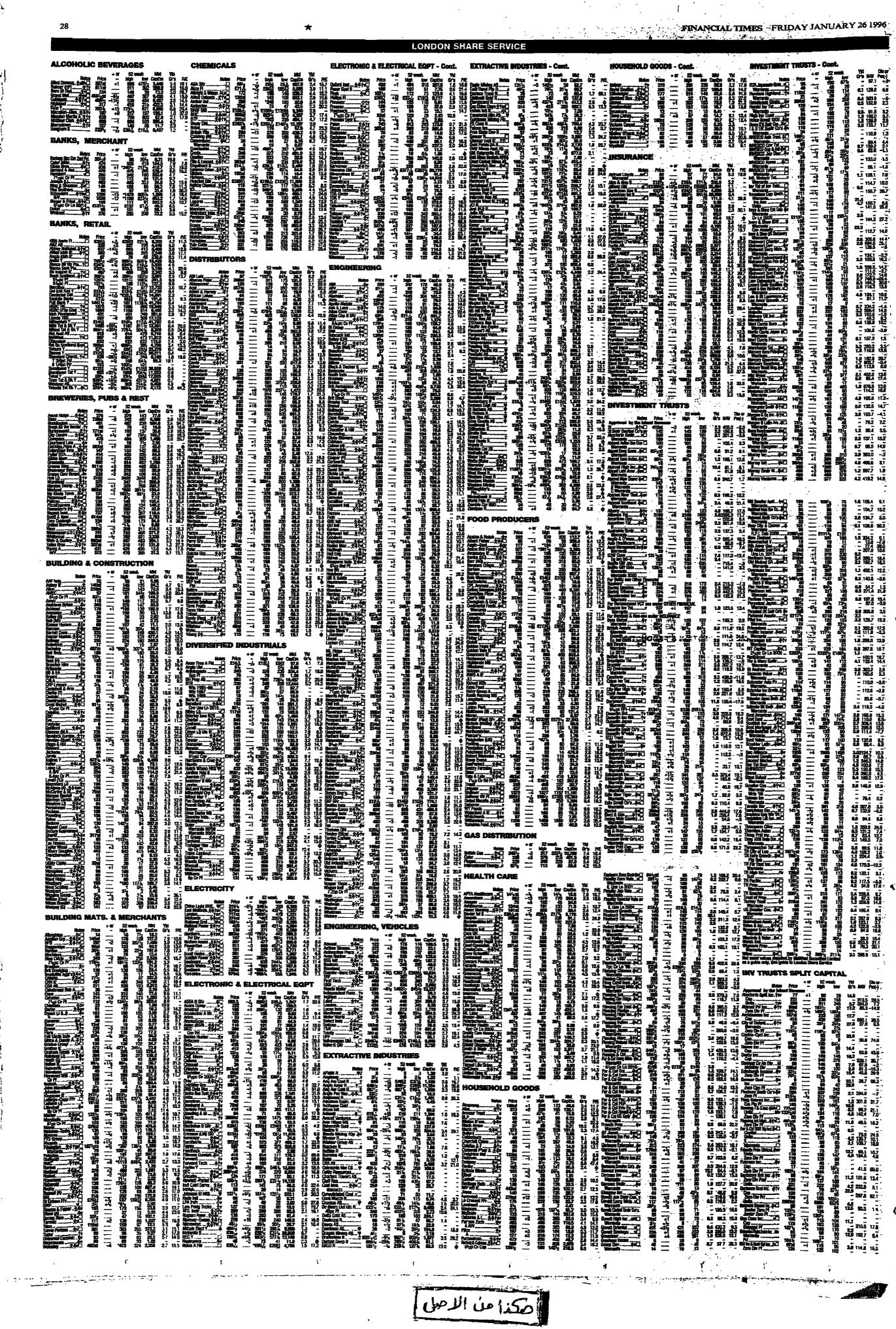
 ISDEMIR reserves the right to place the order either partially or completely with any bidder or to cancel the tender completely. The receipt of quotations shall in no way be binding upon our company.



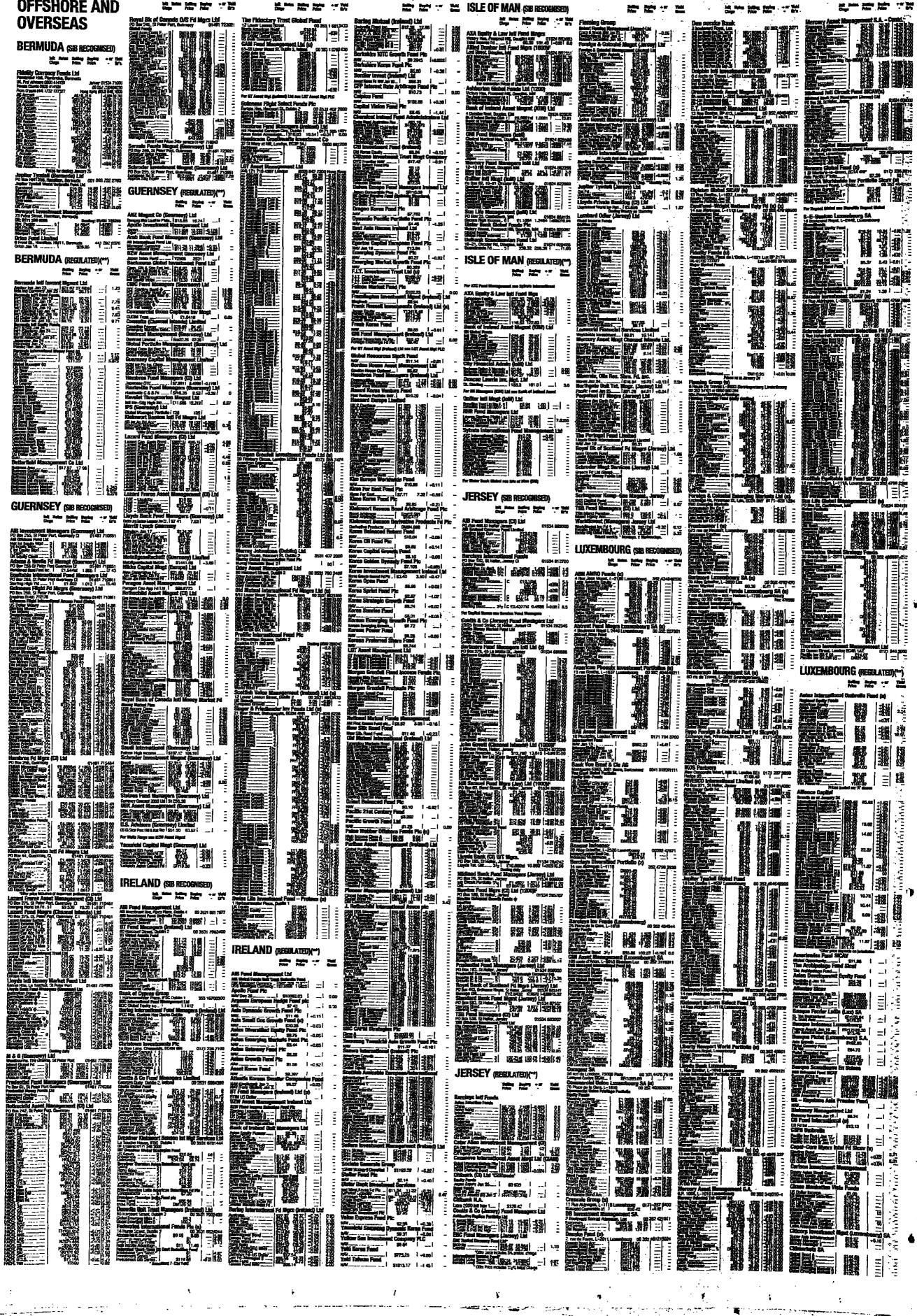
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COMPANIES	London RICHARD COOK, ESC Hong Kong BART DEKKER, ILIA USA KEVIN MINECKI, Esq	1dt +852 25228172	Face +857 25211190



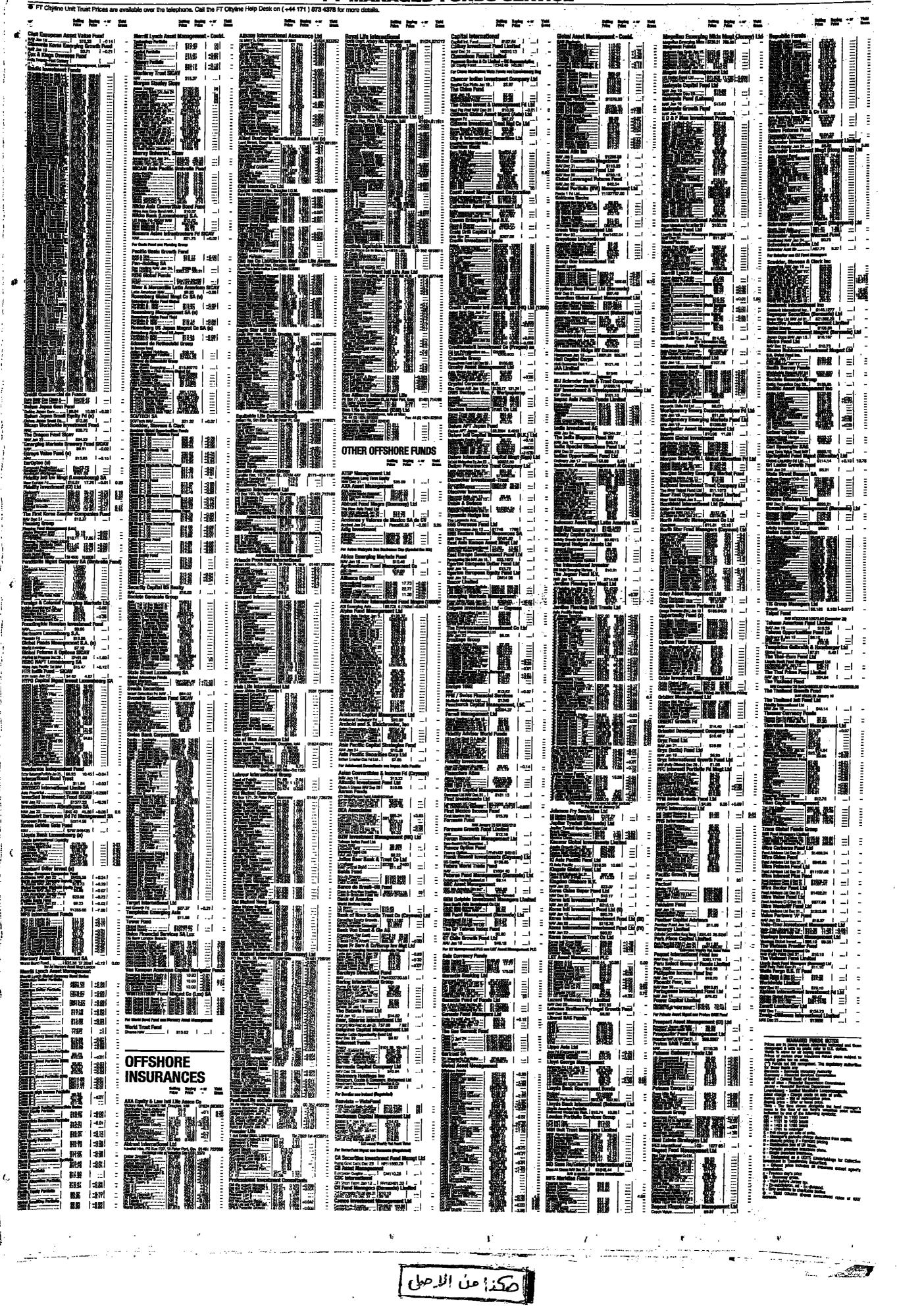
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MARKET REPORT

Bought deal and declining bonds upset equities

By Steve Thompson, UK Stock Market Editor

The absence of the much removed bid for one of the FT-SE 100 stocks, and a sharp correction in global bonds, took the wind out of the sails

of London's equity market. Unable to build on modest early gains, mostly prompted by the overnight 50-point jump in the Dow Jones Industrial Average, the FT-SE 100 index gradually fell away throughout a relatively busy session, eventually closing a fraction above the day's low. It settled a net

Second line stocks once again that was causing the most damage proved much more resilient than to European equities. US bonds per-

the market's leading issues, with formed well overnight, but began to takeover bids materialising, market-the FT-SE Mid 250 index only slip-lose ground in European trading, ping into negative ground just before the close and finishing a mere 0.2 easier at 4.086.7.

There was no shortage of domestic reasons behind the equity market's weakness. Two large placings early in the day mopped up much available liquidity.

A profits warning from Holliday Chemicals unnerved investors in other chemicals stocks, triggering big falls across the sector, which was among the worst performers in the FT-SE Actuaries Share Indices. But it was a sliding bond market that was causing the most damage

reflecting a revival of fears that the US could default on its debts if the long-running budget deficit wrangle is not sorted out.

Another story doing the rounds was that Mr Eddie George, Governor of the Bank of England, would criticise the chancellor's interest rate policy in a speech due to be delivered last night.

The trading session began brightly enough, with the FT-SE 100 opening 3.4 ahead at 3,761.6 and looking set to launch another challenge to its all-time intra-day high of 3,767.4, reached only a week ago. But with none of the rumoured makers quickly took the initiative and began to lower quotations for the so-called bid stocks to shake out any loose stock.

The move was highly successful, with Standard Chartered, the market's hot favourite to attract a predator after Wednesday afternoon's frenzied activity, falling heavily and eventually giving up well over half the previous session's gain. Standard said it knew of no rea-

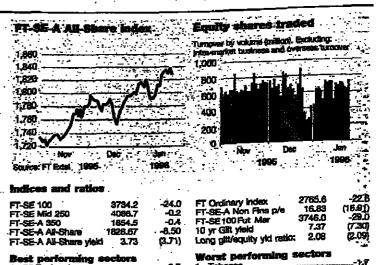
son for the steep rise in its shares. Other prospective takeover stocks also fell back, including Ladbroke, the leisure group.

Granada was the FT-SE 100's top gun for much of the session,

boosted by hopes of an early sale of many of the hotels it acquired in its successful bid for Forte, but later retreated on some determined profit-taking.

Among the big winners in the Footsie, there was keen institu-tional buying of Bank of Scotland. Hints of imminent good drilling news from its Algerian operations

helped Lasmo move higher. Turnover at 6pm totalled 976.1m shares, one of the heaviest daily figures for many weeks and boost substantially by the bought deals in BAA and 3i Group. Turnover in those two stocks, 124m shares, accounted for almost 13 per cent of the market total.



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IE FT-SE 100 INDEX PUTURIES (LIFFE) \$25 per full index point

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MARKET REPORTERS:

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Retailers, Food

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TRADING VOLUME

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Bid talk shifts to P&O

Property and shipping giant P&O roared to the top of the Footsie rankings as takeover talk gripped the market and one top broker dubbed the shares "the next Forte".

According to UBS, the group is over-diversified, undermanaged and - having pushed through £3.5bn of capital expenditure over the past five years - awash with trophy sets. UBS puts the break-up

value of the shares at £7. Having lagged behind by a steep 33 per cent in 1995, the shares have outrun the market as a whole by 7 per cent over the past month. They shot forward 121/2 to 529p yesterday in heavy 5m turnover to round off a four-day gain of 40.

There were few hard and fast bets about potential predators, but some analysts suggested that one of the bigger property groups could have its eye on P&O's real estate portfolio. This tops £1.7bn, including development properties, and has a near one-third North American content.

Holliday beached

A profits warning from Holliday Chemicals hit the whole chemicals sector and banged what one analyst described as a "serious nail in Holliday's

Holliday warned that 1995 results would be below market expectations following a down-

turn in sales and profitability in the second half. Since last September Allied Colloids, Albright & Wilson, Hickson International, Laporte and British Vita have all warned of tough market conditions. Yes-terday, Holliday slid 45 to 119p, the biggest drop among the

market's top 350 companies. It was followed by Yorkshire Chemicals, which also operates a big dyes business, and which tumbled 22 to 258p.

Elsewhere in the sector, British Vita was off 15 to 200p, Laporte 13 to 644p and Court-aulds 15 to 432p. Chemicals leader ICI fell 18 to 808p.

Chemicals analysts, who had to bear the tidings of appalling news in the sector last year, were hoping for a brighter picture and were taken shack

Mr Charles Lambert of Merrill Lynch said: "Management obviously need to pull their fingers out. On a broader basis. the general message is that although there is a potential recovery with cheaper raw materials, there is a risk of

Mr Lucas Herman of James Capel said: "This is a stark reminder of how difficult

Smith 'targeted'

Bid speculation settled on W.H. Smith, helping the high street news agent shrug off the gloom that followed Wednesday's second profits warning in less than a year.

The shares bucked the reflective market trend, advancing 12 to 419p. One senior dealer suggested that the company would face an approach "within the month" from a predator offering around 550p a

Although the shares have recovered from their drubbing last May, they have failed to benefit from the traditional seasonal bonanza. At the close of trading on Wednesday, they were yielding 4.9 per cent compared to a sector average of

just over 3 per cent. Nevertheless, some specialists attributed yesterday's rise purely to recovery prospects for the group under the current manageme Reassuring sales and margin

fleures from Burton Group prompted strong two-way business in the stock. Turnover had risen to 18m by the close as the shares edged half-penny forward to 130p.

Bluebird Toys was boosted by the news of US group Mattel's \$5.2bn bid for rival Hasbro, which holds a 7 per cent stake in Bluebird. There was talk that Bluebird itself may be a takeover target, though the company's finance director dismissed the rumours as "pure speculation". However, the shares remained strong and closed 15 ahead at 354p.

A story doing the rounds suggested Boots, the chemist. may sell its Childrens World subsidiary to Storehouse. The word is that Storehouse is interested and may be looking to merge Children's World with its Mothercare chain.

An analyst who declined to be named said: "It is possible that such a deal is on the cards. Storehouse may feel it can manage these stores better than Boots." Storehouse declined 4 to 293p, while Boots shares firmed a penny to 598p. A downbeat trading statement from Tate & Lyle prompted profits downgrades.

Many analysts reduced current year forecasts by around £15m to the £310m to £308m level. Media and leisure giant

FINANCIAL TIMES EQUITY INDICES

	Jan 25	Jan 24	Jan 23	Jan 22	Jan 19	Yr ago_	"High	"Low
Ordinary Share	2765.6	2788.2	2769.4	2779,6	2762.1	2271.9	2788.2	2238.3
Ord. day, yield	3.92	3.90	3.92	3.91	3.93	4.50	4.73	3.90
P/E ratio net	16.58	16.69	16.58	18.63	16.56	17.14	21.33	15.35
P/E ratio nii	16,37	16.48	16,37	18.42	16.35	16.60	22.21	15.17
*For 1995/96, Ordin Date: 1/7/85.	ary Share	index sino	e compila	don; high i	2768.2 18/	01/96; low	49.4 25/5	40. Base

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	Jan 25	Jan :	24 ,	Jan 23	Jan 2	2 4	en 19	Yr ago
SEAO bargains	35,173	35,7	ß	37,597	44,1	15 4	0,876	22,63
Equity turnover (0m)†		200	5.6	1728.1	1720	,1 2	191.5	2047.
Equity bargains†	-	42.1	14	48,847	48,8	5G 4	8,146	31,58
Shares traded (milit	-	75	1.0	667.9	646	.0	716,9	734.

52 Week highs and lows LIFFE Equity opti 222 22

Due July 2002

CS First Boston Agent

SUNKYONG INDUSTRIES LIMITED

US \$ 50,000,000 **FLOATING RATE NOTES DUE 1998**

(Redeemable at the option of Noteholders in April 1996 and April 1997 and at the option of the Issuer on any interest payment date falling in or after April

In accordance with the provisions of the Notes, notice is hereby given as

Interest period: January 24, 1996 to April 24, 1996

Coupon amount: US \$ 3,712,67 per note of US \$ 250,000

laterest payment date: April 24, 1996

Interest rate: 5.875% per accordo

26th January 1996

26th July 1996

U.S. \$271.74

Granada Group, which this week won its bid for Forte, paused for breath yesterday, which left the stock trailing 8 at 704p following trade of 7m

A further decline was prevented by news that Granada will be happy to consider prosals from Sir Rocco Forte to posals from Sir Rocco Forte to buy back some of the most prestigious hotels it has just

Forte also remained an active trade and saw volume of 20m shares as the stock relinquished 2 at 396p, while Savoy "A" rose 32 to 1180p.

Standard Chartered, the London based Far Eastern bank, fell back as the fevered takeover talk that moved the shares higher late on Wednes-day receded. Standard Chartered said it was "not aware of the recent movement in its share price" and the shares receded 26% to 636p on heavy

turnover of 7.7m. Seasoned dealers said the logic for an offer for Standard still prevailed and it was a case of "If not now, when?"

Abbey National fell 131/4 to 637p on fears that a pricing war could develop in the mortgage market. Competition and regulatory

worries continued to gnaw away at sentiment in the telecoms sector. BT slipped 6 to 364p in 9.9m shares traded following a note from NatWest Securities which drew attention to the hectic

regulatory timetable faced by the group in the first part of this year. A profits downgrade by Kleinwort Benson combined with a move from buy to hold

by Credit Lyonnais Laing to push Lucas Industries 6 lower Aegis, the media group,

closed 1% firmer at 43%p after winning the media buying account of Philips, the Dutch electronics group. The account

Anagen, the healthcare group, moved forward 5 to 75p as it announced it had reached settlement with its former marketing partner Organon Teknika. British Biotech rose 70 to 2238p on talk that one broker was recommending the

Transport .

Health Care

shares up to £30. BAA closed all square at 4960 following the auction of the government's 2.86 per cent stake in the airports group. Merrill Lynch purchased the shares at 491%p in open auction and placed them with

institutions at 494p. 3i, the venture capital group, slipped 3 to 413p, with Midland Bank selling its remaining 5.25 per cent stake - 30.7m shares - to institutional investors via James Capel. The shares were placed at 404p and raised £124m.

USM-quoted ML Laboratories forged ahead 46 to 457p as Panmure Gordon said it placed just over 20m shares with institutions at 400p apiece. The placing offset the pharmaceuticals company's announcement of a £3.4m full-year loss, against a

deficit of £2.27m last time. LONDON RECENT ISSUES: EQUITIES up (Em.) High Low Stock - F.P. 6.28 6⁵2 125

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FT-SE Mild 250
FT-SE Mild 250 ex Inv Trusts
FT-SE-A 350
FT-SE-A 350 Higher Yield
FT-SE-A 350 Lower Yield
FT-SE SmallCap ex Inv Trusts
FT-SE SmallCap ex Inv Trusts
FT-SE-A ALL-SHARE ■ FT-SE Actuaries All-Share Dey's Year Div. Net P/E Xriadi, Total Jan 25 chge%i Jan 24 Jan 23 Jan 22 ago yield%i cover natio ytd. Return -0.2 \$179.34 \$148.08 \$176.15 2846.66 \$3.68 +0.3 4103.33 4052.70 4086.03 \$566.05 \$3.60 -0.3 \$220.44 \$192.01 \$227.06 2641.71 \$3.83 +0.7 2115.37 2083.27 2082.09 1870.32 2.30 10 MINERAL EXTRACTION(N) 2.02 16.77 0.00 1335.67 2.56 13.55 0.00 1180.37 1.95 16.68 0.00 1384.39 1.48 36.67 0.00 1284.55 12 Estractive Industrice(5) 15 Oil, Integrated(3) 18 Oil Exploration & Prod(15) 213Q.43 -0.6 2020.93 2013.23 2021.78 1789.47 +0.4 1040.45 1040.64 1043.29 943.49 +0.1 1813.31 1790.53 1803.66 1688.36

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42 Leisure & Hotels(24)
43 Media(48)
44 Retailers, Food(15)
45 Retailers, General(43)
47 Bravenies, Pubs & Rest.(24)
48 Support Services(49) 49 Transport(21) 2295,29 +0.7 2279.81 2268.05 2269.94 2177.04 3.78 23.80 1.17 943.08 5.13 2.02 12.08 24.95 1018.09 5.21 2.82 8.16 95.99 1291.53 7.35 1.04 18.24 0.00 817.47 4.27 1.74 18.80 0.00 894.60 5.86 2.61 8.17 3.81 1128.88 60 UTILITIES(\$4) -0.8 2430.43 2449.92 2489.57 2383.67 -0.2 2892.34 2885.41 2898.87 2473.55 5.21 -1.1 1847.92 1651,00 1673.40 1975.24 7.35 -1.2 1998.29 2026.01 2051.62 1995.79 4.27 -0.4 2088.46 2080.75 2084.52 1701.61 5.86 62 Bestricity(13) 64 Gas Distribution(2) 66 Water(12) 89 NON-FINANCIALS(689) -0.A 1931.54 1923.10 1932.35 1816.67 3.78 1.96 16.83 4.30 1438.45 -0.7 2994.33 2964.36 2966.63 2075.38 3.80 2.32 14.14 0.39 1255.96 -0.9 4304.82 4246.96 2711.87 3.51 2.60 13.88 0.00 1366.96 -0.7 3548.84 2952.06 3562.06 3046.62 2.64 2.41 19.89 0.00 1104.63 -0.5 1465.78 1449.78 1441.51 1156.33 5.02 2.69 9.26 0.06 1066.70 -0.8 3460.41 3444.65 3469.82 2260.15 4.06 1.53 20.08 0.00 1398.95 +0.4 2395.44 2398.20 2365.37 1853.14 3.71 1.86 18.05 0.00 1348.30 1.00 1468.15 1459.78 1456.15 1350.86 4.24 1.32 22.37 2.02 801.72 70 FINANCIALS(108) 71 Banks, Retal(8) 72 Banks, Merchand(8) 73 Insurance(24) 74 Life Assurance(5) 77 Other Financial(23) 80 INVESTMENT TRUSTS(127) 3116.95 +0.1 3114.30 3007.63 3104.42 2556.84 2.14 1.05 55.66 3.76 1080.88 1828.67 -0.5 1637.17 1827.22 1834.51 1488.05 3.73 2.01 16.69 3.33 1522.83 89 FT-SE-A ALL-SHARE(904) +0.2 1132.24 1128.52 1129.32 967.10 2.98 2.21 +0.2 1129.43 1127.25 1127.06 990.90 3.26 2.41

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lime of FT-SE 100 Dey's high: 8.30em Cey's low; 4.10pm. FT-SE 100 1985-98 High: 3758.2 (24/1/89) Low: 2854.2 (23/1/88)

FT-SE Actuaries 350 Industry baskets Open 9.00 10.00 11.00 12.00 13.00 14.00 15.00 16.10 Close Previous Change
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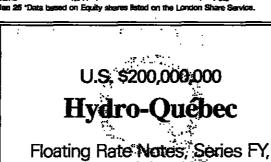
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Additional information on the FT-SE Actuaries Stare indices is guidalisted in Saturday issues. Lets of constituents are available from The Financial Targes Lendor, One Southwark Endoy, Condon SE: 941. The FT-SE Actuaries Stare Indices Service, which covers a range of electronic and priper-based productorations to these indices, is resisted from FRSTAT, Florry House, C1-17 Epectric Street, London ECSA 621.

The FT-SE ACT measures SE-SE-A Non-Financials index. The FT-SE IAC, the FT-SE IAC, the FT-SE IAC, the Section of the IAC, and the FT-SE Actuaries 350 and the FT-SE Actuaries 350 and the FT-SE Actuaries store and the FT-SE Actuaries and the FT-SE Actuaries SE Stare Index is completed by the International Stack Engineers with the Indicated and Actuaries and the FT-SE Actuaries AS-Stare Index is completed by the Financial Index, both in confusions with the Indicated and Actuaries and the FT-SE Actuaries 100 and on the Indicated and Indicated and Indicated and Indicated and Indicated and Indicated and Indicated I

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Interest Period

26th July 1996

Interest Amount per

U.S. \$10,000 Note due

CRH CAPITAL LIMITED U.S.\$72,000,000 5% PER CENT. CONVERTIBLE **CAPITAL BONDS DUE 2005**

ACCOUNTANT OR OTHER FINANCIAL ADVISER.

NOTICE TO BONDROLDERS

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF HOLDERS OF THE BONDS. IF HOLDERS OF BONDS

ARE IN ANY DOURT AS TO THE ACTION THEY SHOULD TAKE

THEY SHOULD IMMEDIATELY SEEK PERSONAL FINANCIAL ADVICE FROM A STOCKBROKER, BANK MANAGER, SOLICITOR,

Guaranteed on a subordinated basis by CRH public limited company (the "Guarantor")

NOTICE OF REQUIRED CONVERSION AND REDEMPTION
NOTICE IS HEREBY GIVEN to holders of the Bonds (the "Bondholders") of the
Issuer's election to convert the Bonds into Preference Shares which shall then be
redeemed immediately upon allotment ("Required Conversion and Redemption")
at their paid-up value of \$5,000 each together with accrued interest on the Bonds.
The Required Conversion Date is 29th February, 1996 and Bondholders retain the
right to convert and exchange Bonds for Ordinary Shares in the Guarantor until
the 22nd February, 1996 (the "Conversion and Exchange Right").

Full details of the Required Conversion and Redemption and the Conv run details of the Required Conversion and Redemption and the Conversion and Exchange Right are now available at the specified office of the Principal Paying and Conversion Agent and at the specified offices of the other Paying and Conversion Agents and Bondholders should immediately contact the Principal Paying and Conversion Agent or a Paying and Conversion Agent who will received a method better.

PRINCIPAL PAYING AND CONVERSION AGENT Union Bank of Switzerland

PAYING AND CONVERSION AGENTS Union de Banques Suisses (Luxembourg) S.A., 7th Floor, 100 Liverpool Street, London EC2M 2RH. 36-38 Grand Rue. L-2011 Luxembourg Morgan Guaranty Trust Company of New York.

Dated: 26th January, 1996

CONTRACTS & TENDERS

THE GAMING COMMISSION OF THE MINISTRY OF THE TREASURY OF THE REPUBLIC OF PANAMA

The Prequalification Process for the Administration of the Hipodromo Presidente Remón and The Operation of its Horse Racing Betting System

The Panama Geming Commission of the Ministry of the Treesury invites all interested business groups, conconscribulus, and persons to participate in the Prequalification Process for the administration of Hipódromo Premion and the operation of the Horse Racing Setting System in the Republic of Panama. The Gerning Commission of the Ministry of the Tressury will prequellly those enterprises or persons that comply with a the technical, financial and legal requirements established in the "PREQUALIFICATION CONDITIONS" docume

Know-how and strength to develop recetrack betting systems

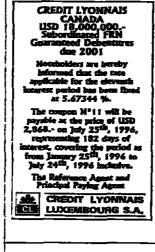
nce of financial capacity to exacute and implement contract investment obligations.

As the only requirement to participate in the prequalification process, all interested persons must submit to the Unida As the only requirement to perception in the prequirements process, as interesting persons interest subtract the United Coordinators person in the process de Privetización (ProPrivat), in the place and location identified below, a certified for US\$2,500.00 (TWO THOUSAND FIVE HUNDRED UNITED STATES DOLLARS), payable to the order of TESORO NACIONAL, (non-refundable), to cover application costs. Immediate delivery of the "PREQUALIFICATION CONDITIONS" document will take place, containing among others, details of prequalification requirements to be met.

As of January 29, 1996, the "PREQUALIFICATION CONDITIONS" document will be available in the tinida Coordinators pera el Proceso de Privatización (ProPrivat), Ministerio de Hacienda y Tesoro, located at Avenida Per y calle 35, Pansana City, Republic of Pansana, between 8.30 a.m and 4:30 p.m. interested parties must preser prequalifications documents on February 27 at 10:00 a.m. at the Conference Room of the Departmento d during y Gastos of the Ministry of Treasury, located on the fifth floor. ued in Panema City, Republic of Panema, January 19, 1996

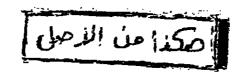
OLMEDO DAVID MIRANDA JR. MINISTRO DE HACIENDA Y TESORO Y PRESIDENTE DE LA JUNTA DE CONTROL DE JUEGOS

FOR ADDITIONAL INFORMATION, PLEASE Contact PROPRIVAT FAX; (507) 227-4820, TEL: (507) 225-6172 or GAMING COMMISSION: TEL/FAX (507) 270-0180



BANQUE INTERNATIONALE BILLI

REPUBLIC OF FINLAND £50,000,000 117% Loan Stock Due 2009 The following has been appropried. Morgan Guaranty Trust Company of New York Victoria Embergrand, London ECSY CP



Hourly movements

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Dow declines as earnings come in mixed

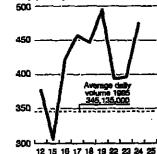
Wall Street

US shares were modestly lower by early afternoon after a volatile morning that saw several components of the Dow Jones Industrial Average report quarterly earnings, writes Lisa Bransten in New York.

At 1 pm, the Dow was 10.47 weaker at 5,232.37 and the Standard & Poor's 500 had fallen 0.99 to 618.97. The American SE composite rose 4.42 to 541.93, while the technologyrich Nasdaq composite was off 1.68 at 1,041.78. NYSE volume was 256m shares.

Shares also came under some pressure from losses on the bond market. The benchmark 30-year Treasury bond was nearly a full point lower in

Daily (million)



early trading to yield 6.098 per cent, in part because of rising gold prices and new supply released on to the market after Wednesday's auction of five-

Earnings reports from comnanies in the Dow were mixed. Boeing added \$1/4 at \$771/4 after beating analysts' expectations. while Coca-Cola slipped \$11/4 to \$73%, in spite of reporting earnings exactly in line with expectations. Procter & Gamble shed \$2% or 3 per cent at \$85% after falling just short of expectations with earnings of \$1.18

P&G had added \$21/4 on trade unchanged at C\$17%.

Wednesday after the Food and Drug Administration approved the use of its fat substitute, olestra, in the manufacture of salty spacks.

In other earnings-related activity. Schering-Plough added \$1 or 2 per cent at \$53% after reporting earnings of 66 cents a share, 2 cents ahead of analysts' estimates. Novellus Systems was \$2% or 5 per cent stronger at \$57% after beating estimates by 11 cents a share with earnings of \$1.45 per share. Southwest Airlines jumped \$3 or 13 per cent after reporting profits of 29 cents a share, 3 cents a share ahead of

AT&T fell \$1 to \$64% after reporting earnings of 94 cents a share, 2 cents a share short of

In other news, Hasbro jumped \$11% or 37 per cent to \$42 on news that Mattel - the biggest toy company in the US had offered to buy Hasbro for \$5.2bn. Meanwhile, Mattel fell \$1 or 3 per cent to \$31.

Toronto moved ahead in brisk midday trade in spite of the pullback on Wall Street, as gold shares rallied on firmer bullion prices. At noon, the TSE-300 composite index was 10.01 higher at 4,874.15 in hefty volume of 50.4m shares,

The 14 sub-groups were evenly split among winners and losers, with the golds sector, up 2.3 per cent, leading the former. Merchandising, however, fell 3.8 per cent, mostly due to a C\$10% plunge to C\$23% in Loewen Group, one of North America's biggest funeral home operators, after a Mississippi court ordered it to post a \$625m bond in its appeal against a jury award.

Among companies with earnings reports pending, the volatile Plaintree Systems gave up C\$% to C\$7%; actively traded issues featured Agrium, the fertiliser company, which overcame some early weakness to

Mexico takes profits

midday as profits were taken. The IPC index was off 27.72 or 1 per cent at 3,026.91.

taking profits following the market's recent steady rise, investors were concerned about a rise in inflation.

BUENOS AIRES was little changed by midday, with the Merval index just 4.24 easier at

Mexico City was softer by for a public holiday, and intermidday as profits were taken. est switched to RIO DE JANEIRO, where trading failed higher at 18,567 in turnover of

some R\$10m. SANTIAGO was pressured by reports that foreign institu-tions were selling ADRs on Wall Street. By midsession the IGPA index was down 15.76 at

S Africa back on upward path

day firmer across the board, with industrials supported by local and offshore interest while golds inched up in spite of worries over the outlook for

release of major company results, due next month.

Gold shares ended the day mildly higher after tracking

the metal price. But bullion's afternoon surge above the \$406 level came too late to influted to get underneath gold

NATIONAL AND

R355, Western Deep rose R1 to R109 and Beatrix picked up 50 cents to RS7.50. Anglo American, whose mines are the world's biggest

0.6 197.89 136.30 156.43 172.58

Contrast in banking sector as Dax peaks again *

The Dax index rose to new peaks, 2,443.72 on the official session and 2,437.02, up a mere 0.34, at the Ibis afternoon close. But FRANKFURT's main offering was a striking contrast in banks, where Deutsche rose DML62 to DM70.85 but Commerzbank fell DM8.70 or 2.5 per cent to DM339.

Merrill Lynch downgraded Deutsche earlier this month but Germany's biggest bank staged a recovery as Daimler, in which it owns a 24.3 per cent stake, rose DM16.10 further to DM820.50. Commerzbank had been weak already on its exposure to Bremer Vulkan, before the Bremen government underwrote a new bank loan for the shipbuilder

Yesterday's story, said Mr Ian McEwen of Merrill, was that Commerzbank was exposed to losses of between DM150m and DM200m on bond issues which it had arranged for Fokker, the distressed Dutch airframe builder from which Daimler withdrew financial support this week.

In the broad market, the Dax came back from an early Ibis peak of 2,458.92, but equity brokers were still celebrating as turnover hit DM15.5bn: over the past 12 months it had only been higher when options

made FFr4 to FFr585 ahead of expiry inflated the regular volreporting after the close of trading that its 1995 profits had AMSTERDAM found it diffirisen by 16 per cent.

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cult to make progress, but Philips continued to find support ZURICH ran into late profitin spite of worries about taking, which blunted earlier gains in response to renewed losses at its German subsidiary enthusiasm over Ciba's fore-As the AEX index slipped cast on Wednesday that it would post higher than expec-0.68 to 508.01, Philips gained 70 ted profits for 1995. The SMI index turned back cents to F166.40, off a session's high of F168.

Fokker, now traded on the

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1545.53 1548.00 1548.20 1548.05 1546.78 1546.76 1545.36 1543.35 1651.26 1854.23 1656.74 1656.77 1655.37 1655.73 1654.78 1651.49

Jan 23

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from a high of 3,245.5 to finish 10.1 weaker at 3,211.2. unofficial list reserved for com-Ciba bucked the trend, advancing SFr13 to SFr995, panies with negative equity, lost 30 cents to Fl 2.90 as talks while Ares Serono, the biotechcontinued in an attempt to salnology group, picked up SFr45 PARIS overcame technical to SF1865 as it announced that problems at the outset and 1995 group sales rose 7.1 per

made up for lost time; the CAC-40 index ended the first A SFr27 drop in UBS bearers to SFr1.238 was attributed to session of the new account up 4.22 at 1,950.19, off the day's derivatives-related transactions, and easing bond prices.
MILAN was weighed down high of 1,965.00. Turnover was

by worse than expected wage

inflation figures, and mounting

Scalfaro prepared for fresh consultations next week. The Comit index fell 4.55 to

610.93 while the real-time Mibtel index lost 61 to 97,963. Olivetti. down L61 to L927. continued to be pressured by

MADRID set a new high in spite of afternoon weakness in the peseta and in bonds, the

3.4 per cent to SKr137 following an overnight rally by US tech stocks on a report that Fidelity Investments was buying: Volvo rose SKr3 to SKr130.

index fell 20.16 to 1,642.90 after a late spate of basket selling, featured a 4.7 per cent gain in UCB; the pharmaceuticals and chemicals stock has become seriously popular with international investors over recent

front as President Oscar Luigi

the worse than expected loss for 1995. News of its plans to cut 1,000 jobs to meet its 1996 target of a return to profits. after five years of losses, failed to placate investors.

general index closing 1.09 ahead at 331.43, after 332.71, in turnover of Pta44bn plus. STOCKHOLM thanked Ericsson and Volvo as the Affarsvärlden General index closed 6.0 higher at 1,728.7, the telecoms group rising SKr4.50 or

BRUSSELS, where the Bel-20

resolved fears of imminent parmonths, and rose another

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BFr2.025 to BFr44.950, after

1995

HELSINKI contrasted Nokia. up FM5 or 3 per cent to FM174 as high-technology stocks worldwide found favour once again with investors, with Outokumpu, the mining and metals group, down more than 6 per cent, FM4.30 to FM64, on disappointment with its preliminary 1995 results.

The HEX rose 6.18 to 1,719.66 in turnover of FM372.5m. WARSAW surged after the resignation of the prime minister. Mr Jozef Oleksy, which ended a period of uncertainty for equities and, partially,

liamentary elections. The Wic index rose nearly 5 per cent to 9.716.7 as turnover expanded from 38.9 zlotys to 177.3m. Ricktrim rose by the daily permitted 10 per cent limit as investors anticipated that it would win a tender to provide

the country with a GSM cellular-telephone network. BUDAPEST was favoured mainly by foreign institutions as the BUX index rose 64.36 or 3.5 per cent to 1,869.79. Traders noted that shares dealt on Seaq International in London showed the best rises during

MOL and Richter. VIENNA's bull run showed no sign of abating as the market soared to a 16-month closing high. The ATX index gained 10.55 or 1 per cent to 1.069.30.

the session, including OTP.

The strongest performance came from AMS, the recently volatile high-tech issue, which advanced Sch85 or 6.1 per cent to Sch1.475.

The breweries, Brau Union and BBAG, continued to make ground shead opf next week's BBAG 1995 earnings. Brau Union put on Sch22 at Sch551 and BBAG Sch5 at Sch519.

Written and edited by William Cochrane, Michael Morgan and

High-techs lift Nikkei, Hang Seng at 23-month high

Tokyo

The dollar's rise above the Y107 level for the first time in two years prompted purchases of high-technology stocks and led the overall market higher, writes Emiko Terazono in

The Nikkei 225 index gained 101.95 at 20,414.69 after fluctuating between 20,289.02 and 20,457.64. The overnight surge on Wall Street and the dollar's rise improved confidence, although domestic investors continued to take profits.

Volume was 556m shares, against 450m. The Topix index of all first section stocks put on 10.01 at 1.583.64 and the Nikkei 300 rose 1.71 to 296.49. Gainers led losers by 743 to 329.

with 143 issues unchanged. index eased 0.43 to 1,385.83.

purchases of high-technology issues by foreign institutions.

Industrial Bank of Japan firming Y60 to Y2,960 and Fuji Bank Y40 to Y2,330.

Overseas funds bought high-technology stocks. Toshiba added Y10 at Y330 and Mitsubishi Electric Y4 at Y750. Consumer electronics shares also advanced, with Matsushita Electric Industrial appreciating Y20 to Y1,720 and TDK Y100 to

Y5,300. Sony, however, lost Y10 at Y6,290 on prevailing worries of oversupply of stock. The shares fell heavily on Wednesday on reports that the com-pany planned to raise Y300bn through a convertible bond. Supply worries did not affect NTT Data Communications. which announced that it will

issue Y97bn through a public

equity offering. The stock,

0.8 2.16 200.87 198.76 134.36 154.27 171.22 204.65 186.77 186.77

listed on the second section moved up Y160,000 to Y3.28m. Mr Makio Inui at Kleinwort Benson said a decline in the company's debt due to the capital increase would be regarded favourably by investors.

Saint-Gobain, the building

materials and glass company.

Mining stocks, which had rallied recently on the rise in gold prices, retreated on profittaking. Sumitomo Metal Mining dipped Y20 to Y1,010. Speculative issues were

traded actively. Kyokuyo, a fishing company, was the most active stock of the day, rising Y100 to Y694, and Takara Shuzo, the distilled spirits maker, climbed Y40 to Y1,210. In Osaka, the OSE average firmed 181.67 to 21,797.73 in volume of 268.9m shares.

For the first time in 23 months, HONG KONG broke through the 11,000-point level, leaving the Hang Seng index to close 142.87 or 1.3 per cent higher at 11,103.08, after hitting an intraday peak of 11,153.86.

from Wednesday's total of HK\$6.9bn. One analyst observed that liquidity had kept pouring in, pushing the market higher in spite of rumours of a China Light placement and a warrant

Turnover swelled to HK\$9bn

issue on New World. While China Light slid 30 cents to HK\$37.30 on the placement talk, major property stocks and banks advanced. Cheung Kong moved ahead HK\$1.50 to HK\$56.25, Sun Hung Kai Properties HK\$2.75 to

HK\$68.75 and New World 80 MANILA defled forecasts that it was heading for a tech-nical correction and ended at a five-month high, bolstered by Wall Street's overnight record close. The composite index added 26.38 or 1 per cent at

Turnover came to 5.9bn shares worth 2.8bn pesos, boosted by heavy interest in the newly listed cargo handler Asian Terminals, TAIPEI felt the effect of a

further bout of diplomatic ten-

sion with mainland China and

the weighted index tumbled

Hong Kong

Food and paper stocks shed 1.8 per cent and 1.7 per cent from an early high of 1,084.42.

respectively, while construction and financial shares each lost 1.5 per cent. Individual stories included China Development, which

weakened T\$1.50 to T\$77.00 after announcing a forecast for SINGAPORE saw brisk demand by foreign funds for a number of blue chip compa-

nies, taking the Straits Times Industrial index ahead 22.75 to 2.433.00. KUALA LUMPUR was led lower by selling in selected blue chips as investors remained pervous over expec-

tations that the trade deficit for October 1995, expected to be announced on Friday, would be as high as M\$1.6bn. The composite index finished down 3.81 at 1,056.69, having turned back

SEOUL edged ahead as demand revived for recently overlooked stocks that had recently fallen, and the composite stock index closed 2.62 up at 868.17 in volume of 25.9m

Hanwha Chemical rose Won300 to Won11,100, while Kun Young Construction picked up Won20 to Won7,160 after its recent losses which followed the failure of Woosung Construction.

BANGKOK withstood several rounds of profit-taking during the session before closing higher on buying in the banks sector. The SET index made 5.01 to 1,383.31 in modest turnover of Bt12bn.

There was interest in newly listed Aromatics, which ended at Bt33, after an intra-day high of Bt38.25, and against its offer

the most active issues in turnover of Btl.34bn.

SYDNEY made gains on offshore buying, while overall trading was also boosted by expiry of options.

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The All Ordinaries index rose 18.2 to 2,253.9, ahead of today's Australia Day holiday. BOMBAY fell prey to rumours that Prime Minister P V Narasimha Rao had dissolved india's lower house of parliament and the BSE-30 index closed 12.49 off at 2,826.08 after hitting a 26-month low of 2.820,26,

The government in Delbi denied the rumours, but investors, worried about an \$18m bribery scandal involving many political leaders, including ministers in Rao's cabinet. became increasingly nervous.

to come alive. By midday the Brokers said that as well as BVRJ index was standing 7.00

547.46. SAO PAULO was closed

FT/S&P ACTUARIES WORLD INDICES

the bullion price. Analysts noted that demand for industrials stemmed from growing expectations of pleasant surprises in the imminent

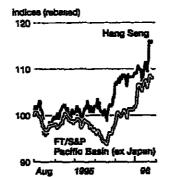
Johannesburg ended a brisk counters early on Friday.
day firmer across the board, The overall index rose 19.2 to 6,950.3. industrials advanced 27.5 to 8,739.3 and golds ticked up 11.6 to 1,669.5. Vaal Reefs closed R7 up at

gold producers, put on R1.50

Among industrials, South African Breweries declined R1 to R142.50, with heavy trade in the conglomerate, Safren, seeing it soften 25 cents to firmed 25 cents to R33.75.

In London the ISE/Nikkei 50 Corporate investors and financial institutions took profits on holdings ahead of the March book-closing. The Nikkei later regained strength on arbitrage-related buying and

Reports that banks were poised to agree to accept the government's plan to share es from the liquidation of the housing loan companies lifted banks. Short-covering and buying by overseas investors boosted the sector, with



73.65 to 4.940.07, off a low of 4.937.81. Volume was 677m hares worth TS19.43bn.

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